



ORIGINAL

A subsidiary of Pinnacle West Capital Corporation



0000060731

Jack Davis
President and Chief Executive Officer

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August 17, 2006
Hand-Delivered

2006 AUG 17 A 9:55

Jeff Hatch-Miller, Chairman
William A. Mundell, Commissioner
Mike Gleason, Commissioner
Kristin K. Mayes, Commissioner
Barry Wong, Commissioner
ARIZONA CORPORATION COMMISSION
1200 West Washington
Phoenix, AZ 85007-2996

AZ CORP COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission
DOCKETED

AUG 17 2006

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Dear Commissioners:

Re: APS Financial Issues Report; Docket No. E-01345A-05-0816

This letter and the accompanying Financial Issues Report attempt to respond to your questions regarding APS' current financial situation. Our customers read and hear media reports, and we should all be concerned if they are led to believe something that is not accurate. It does a disservice to both of us. This letter and the attached Financial Issues Report establish a foundation upon which to understand APS' current financial condition and clear up any potential misunderstandings.

The conclusions to be drawn from the attached Financial Issues Report are as follows:

- APS' earnings so far this year (not just for the second quarter) are **lower** than the same period in 2005 by \$2.7 million. Adjusted for one-time events, earnings are **down** \$9.7 million.
- APS' return on shareholders' invested capital (a key measure of financial health) has dropped to 5.7 percent – almost 50% below the Commission-approved return of 10.25 percent.
- APS' key financial ratios continue a slide towards a "junk bond" rating, which would cripple the Company and raise costs to customers by more than an additional \$1 billion.
- APS appreciates recent measures taken by the Commission to help address its financial situation and needs continued regulatory support to maintain its financial integrity and its ability to finance critical electric infrastructure at a reasonable cost.

ARIZONA CORPORATION COMMISSION

August 17, 2006

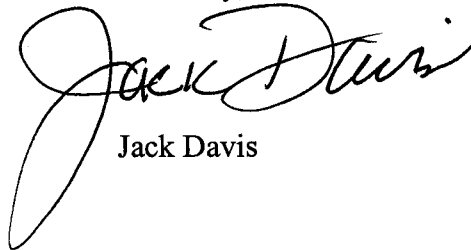
Page 2

I would also like to make two other observations. First, while it is common to report on a public company's quarterly earnings and compare them with the same quarter in the prior year, such a comparison does not present an accurate or complete picture of APS' overall condition. The Financial Issues Report shows why any conclusions drawn from such a "snapshot" look can be very misleading and unhelpful. For example, in the first quarter of this year, APS had a **loss** of \$5.5 million compared with first quarter 2005 earnings of \$27.5 million. Thus, a comparison of first quarter performance for 2005-2006 would likely yield entirely different observations on our financial health. As described in our earnings conference call, our 2006 earnings guidance first disclosed in November 2005 ("within a reasonable range of \$3.00 per share") has not changed.

Second, with respect to the suggested rate stabilization fund, we understand the spirit and intent of the proposal. However, as presented in more detail in the report, APS has no excess revenues to put in what would essentially be a "rainy day fund."

Thank you for the opportunity to submit this information.

Sincerely,

A handwritten signature in black ink, appearing to read "Jack Davis", with a large, stylized loop at the end.

Jack Davis

JED:DN

Enclosures

cc/encl: Brian McNeil

Ernest Johnson

Heather Murphy

Docket

Parties of Record

ARIZONA PUBLIC SERVICE COMPANY
FINANCIAL ISSUES REPORT
Docket No. E-01345A-05-0816
AUGUST 17, 2006

This Financial Issues Report addresses the following topics:

- Information relative to the current financial condition of Arizona Public Service Company ("APS"),
- APS' position on the creation of a rate stabilization fund, and
- Details regarding recent APS officer stock option exercises.

FINANCIAL INFORMATION

Historical Context:

A number of historical factors account for APS' current financial condition. One should avoid the easy but misleading characterization of APS' overall financial health from a review derived from a particular point of time (*e.g.*, a three-month quarter) or from numbers excerpted out of context in press releases or media accounts. Also, one must parse out extraordinary items, nonrecurring events, and unusual expenses and benefits. All financial and investment analysts eliminate these factors, whether they have a positive or negative effect on earnings. They do so in order to understand better the level of earnings they can reasonably expect a company to achieve on a recurring annual basis. In sum, earnings for any particular quarter, while meaningful, do not present a comprehensive picture of a company's financial health or future prospects. In addition, a quarter-to-quarter earnings increase does not reveal whether the company is earning the reasonable return that regulation requires or is maintaining the financial ratios sufficient to raise the capital necessary to properly serve its customers.

To facilitate analysis by investors, analysts, and others, Pinnacle West Capital Corporation ("Pinnacle West") typically reports (as do many other companies) "on-going earnings" (*i.e.*, reported earnings excluding extraordinary, nonrecurring and unusual items) as a supplement to the traditional earnings determined in accordance with generally accepted accounting principles ("GAAP earnings"). Further, for a utility such as APS whose quarterly earnings exhibit exceptional volatility due to seasonal weather patterns, earnings for any particular quarter rarely present a complete picture. As a result, financial analysts prefer to examine a utility's earnings for the last twelve-month period (*i.e.*, a full-year perspective). To illustrate these points specifically with respect to APS, Attachment A demonstrates the seasonal peaks and valleys in APS' net income (*i.e.*, GAAP earnings) by quarter over the last three and one-half years. With this graph in mind, APS' recently released financial results can be better understood.

Recently Released Financial Results

Certain nonrecurring factors may have given the erroneous impression that APS has made an abrupt financial about-face. Unfortunately for APS, the shareholders of Pinnacle West,

and APS' customers, the truth differs markedly. To make this point clear, APS' year-to-date earnings (both on GAAP and on-going bases) are actually lower than for the comparable 2005 period – a point expanded on later. The table below displays these earnings in millions of dollars:

APS GAAP Earnings

	<u>2006</u>	<u>2005</u>	Increase (Decrease)
First quarter	\$ (5.5)	\$ 27.0	\$ (32.5)
Second quarter	93.8	64.0	29.8
Year-to-date	88.3	91.0	(2.7)

APS On-Going Earnings

	<u>2006</u>	<u>2005</u>	Increase (Decrease)
First quarter	\$ (5.5)	\$ 27.0	\$ (32.5)
Second quarter	86.8	64.0	22.8
Year-to-date	81.3	91.0	(9.7)

For the second quarter of 2006, Pinnacle West reported GAAP earnings of \$112.2 million, reflecting an \$85.5 million increase over GAAP earnings of \$26.7 million reported for the second quarter of 2005. The primary cause of this apparent reversal stems from the \$59 million write-off Pinnacle West (not APS) incurred in the second quarter of 2005 related to its loss on the sale of the unregulated Silverhawk Power Station in Nevada. To a much lesser degree, the positive impact of \$10 million of income tax credits recorded in the second quarter of 2006 related to prior tax years 1985 through 1998 (APS' share amounts to \$7 million) further exacerbated the apparent difference. Excluding these unusual items, Pinnacle West reported second quarter 2006 on-going earnings of \$102 million, reflecting a \$16 million increase over second quarter 2005 on-going earnings of \$86 million. Of this \$16 million "on-going" increase, \$10 million was attributable to electricity sales driven by the record-setting June 2006 temperatures. Pinnacle West disclosed these details in its July 21, 2006, press release announcing 2006 second quarter earnings (See Attachment B).

In light of this information and the Pinnacle West July 21st press release, the questions that have arisen over the reported "320% rise in profits" result from a misunderstanding of the relevant financial information. On a superficial level, the mathematics behind 320% are correct. However, most knowledgeable business people and financial analysts would not characterize the absence of another write-off in 2006 as a "surge" in profits as described by the media. APS has concerns that similar misinterpretation may accompany the release of earnings for the third quarter of 2006. In the third quarter of 2005, Pinnacle West and APS recognized an \$87 million write-off attributable to the regulatory disallowance related to the transfer of the Pinnacle West Energy generating plants to APS under the settlement approved by the Commission. Alone, the absence of a comparable write-off in the third quarter of 2006 would show a very significant increase in the companies' GAAP earnings over third quarter 2005 results. Consequently, a simplistic mathematical comparison of third quarter 2006 results with third quarter 2005 results will likely yield a large percentage change that also will not reflect the Company's true financial condition.

For the second quarter of 2006, APS reported GAAP earnings of \$93.8 million, reflecting an increase of \$29.8 million over GAAP earnings of \$64 million reported for the second quarter of 2005. Excluding the \$7 million of nonrecurring tax credits recorded in the second quarter of 2006, APS' second quarter 2006 on-going earnings totaled \$86.8 million, reflecting an increase of \$23 million, about half of which came from the aforementioned \$10 million attributable to June 2006 weather.

When year-to-date results are reviewed, a different, but much more meaningful picture emerges. In the first quarter of 2006, APS reported a GAAP net loss of \$5.5 million, reflecting an earnings decline of \$32.5 million from the GAAP earnings of \$27 million reported in the first quarter of 2005. On a year-to-date basis through June 30th, APS' 2006 GAAP earnings amounted to \$88.3 million, \$2.7 million lower than net income for the comparable 2005 period.

Effect of Recent Rate Changes

Recent regulatory actions have been supportive and have led to a very modest positive impact on APS' 2006 second quarter earnings. The annual rate increase of 4.21% that became effective on April 1, 2005, has added \$1.1 million to earnings. The PSA adjustors approved by the Commission during the first and second quarters of 2006 provided much needed incremental cash flow, but did not (and were not expected to) contribute any earnings benefit because the additional revenues collected were offset by the amortization of accumulated fuel deferral balances. Thus, the poor APS financial condition the Company witnesses recently testified to in the interim proceeding has not changed significantly.

Earnings Outlook

Pinnacle West, as a publicly-traded company, must scrupulously adhere to all federal securities laws, and rules and regulations of the U.S. Securities and Exchange Commission ("SEC"), especially regarding the disclosure of earnings forecasts. On November 4, 2005, Pinnacle West filed a Form 8-K with the SEC which, among other matters, disclosed under the caption "**2006 Earnings Outlook**", "We expect earnings for 2006 to be within a reasonable range of \$3.00 per share". During Pinnacle West's February 1, 2006, earnings conference call, Pinnacle West confirmed this 2006 earnings guidance saying, "Our earnings guidance for 2006 has not changed." During Pinnacle West's May 9, 2006, first quarter earnings conference call, Pinnacle West again confirmed this 2006 earnings guidance adding, "Our earnings outlook for 2006 has not changed. We still expect earnings to be in a reasonable range around \$3.00 a share." Most recently, during Pinnacle West's July 21, 2006, second quarter earnings conference call, Pinnacle West again confirmed this guidance with, "We are not changing our earnings outlook for 2006. We still expect earnings to be in a reasonable range around \$3.00 a share."

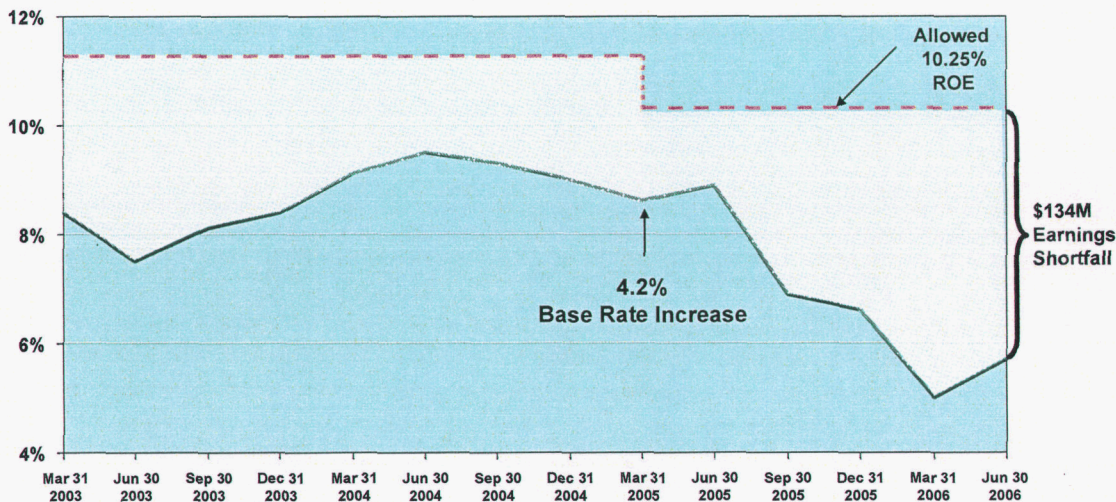
Commissioner Mayes' August 2, 2006, letter to Mr. Davis indicated that, during Pinnacle West's July 21, 2006 second quarter earnings conference call, Mr. Brandt did not answer a question posed by an analyst from SAC Capital (Mr. Ashar Khan) regarding 2006 earnings expectations. (Mr. Khan does not represent a "traditional" investment firm. SAC Capital is a \$10 billion group of hedge funds.) Included as Attachment C is the transcript of the entire dialogue between Mr. Khan and Mr. Brandt during this call. Mr. Brandt did respond appropriately to the questions posed. Pinnacle West officers cannot legally engage in an ad-lib dialogue on the subject of earnings guidance, and most analysts understand and respect this

limitation. Pinnacle West has consistently affirmed 2006 earnings guidance as “a reasonable range around \$3.00 per share.”

Overall Financial Condition

The following chart presents APS’ return on average equity (“ROE”) for the twelve-month periods that ended on each quarter-end from the first quarter of 2003 through the second quarter of 2006. Over this period of time, APS’ ROE has eroded from 8.4% for the twelve months ended March 31, 2003, to an ROE of 5.7% for the twelve months ended June 30, 2006, representing a total decline in the measure of 32%, or a 2.5% average decline per quarter. This performance weighs heavily in the assessments of securities analysts, and contributes to the substantial underperformance of Pinnacle West common stock relative to the equity securities of most other utilities over the last two years. The most recent ROE of 5.7% reflects a \$134 million annual earnings deficit relative to APS’ most recently allowed ROE of 10.25%. As APS prepares to build the facilities to serve Arizona’s growing population and economy, the inability to earn an adequate ROE, combined with weak credit metrics described below, will burden the Company and customers with greater financing costs and more limited financing options.

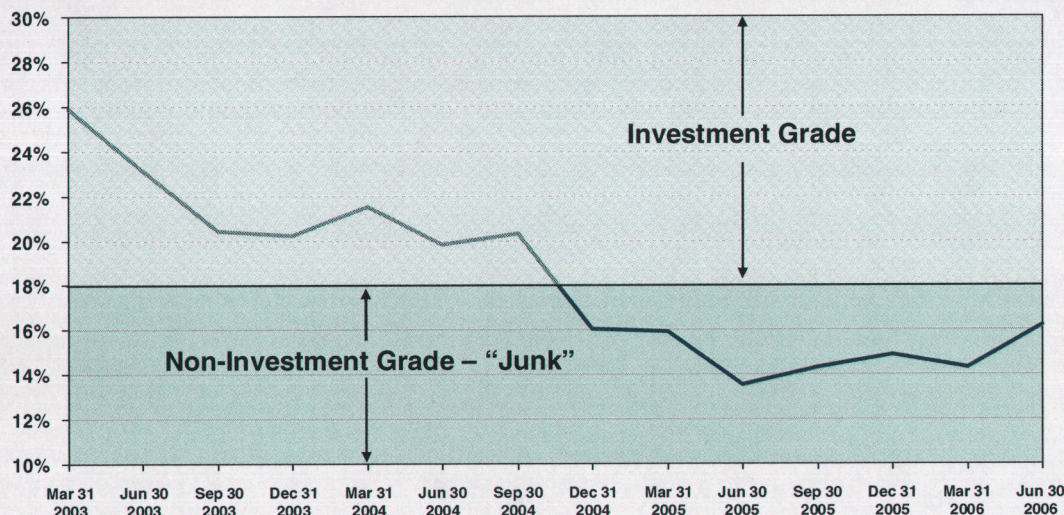
Arizona Public Service Company
Return on Equity
Twelve-Month Periods Ended March 31, 2003 to June 30, 2006



The deterioration of APS’ financial position can also be seen in Attachment D, a compilation of financial reports filed by APS with the Commission at its direction since 2003 (these reports are in addition to Pinnacle West’s publicly available SEC filings). These reports provide financial results and information on key financial metrics such as Funds From Operations to Debt (“FFO/Debt ratio”), net cash flow, return on equity, debt to capital, non-cash income, and interest coverage ratios in order to keep the Commission current on APS’ financial condition.

As the Commission has heard from APS on prior occasions, its FFO/Debt ratio continues to languish significantly below the investment-grade credit rating threshold. Second quarter earnings have not altered this bleak reality. Although the ratio has climbed slightly, the improvement falls short of the level required by the credit rating agencies for an investment-grade rating. The chart below graphs the FFO/Debt ratio as measured at the end of each quarter over the three and one-half years ended June 30, 2006. As of June 30, 2006, the ratio reached 16.2%, and is expected to improve to between 17.0% and 17.5% by December 31, 2006, although it will fall further thereafter in 2007 absent rate relief. Even at this percentage, the rating agencies may downgrade APS' credit ratings to a noninvestment grade or "junk" level. In a July 31, 2006 publication, Standard & Poor's stated, "The consolidated credit profile of PWCC and its utility, APS, continue to be stressed." A downgrade of APS' credit ratings to "junk" would likely cost APS and its customers more than \$1 billion of additional interest cost over the next decade in addition to the other negative consequences described in the interim rate proceeding.

Arizona Public Service Company
Funds from Operations (FFO) to Debt
Twelve-Month Periods Ended March 31, 2003 to June 30, 2006



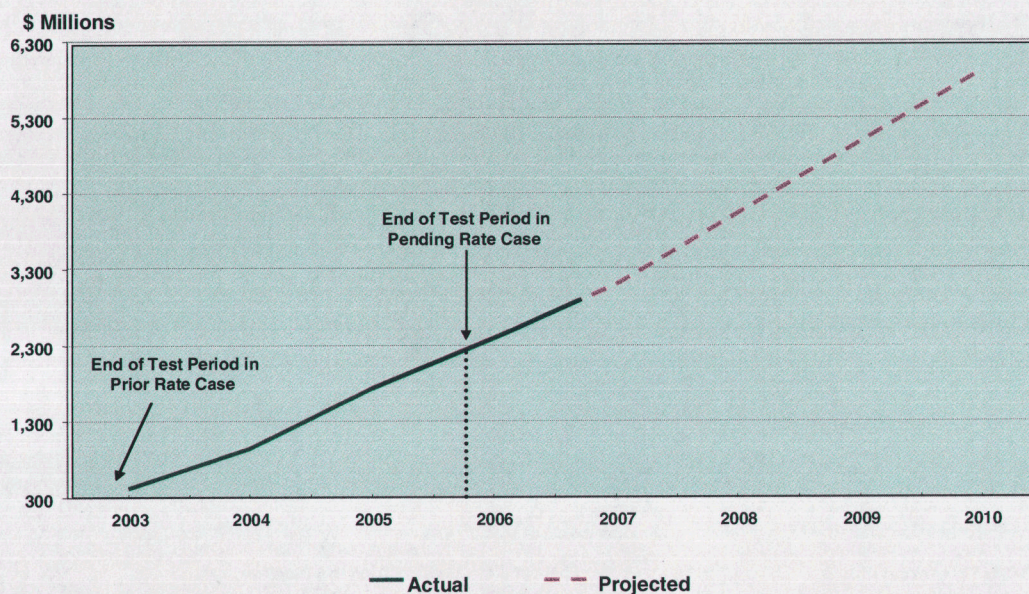
Note: Standard & Poor's changed APS business position to 6 from 5 on December 21, 2005

Attachment E displays net cash flow after capital expenditures as of the end of each quarter during the three and one-half years ended June 30, 2006. As can be seen, this measure of liquidity turned negative in the fourth quarter of 2004 and rapidly declined through a number of quarters thereafter. By the end of the second quarter of 2006, it reflected a \$272 million cash flow deficiency. APS expects this measure for the year 2006 to amount to a deficit of between \$205 million and \$235 million, reflecting 2006 net cash flow of between \$415 million and \$445 million being overwhelmed by 2006 capital expenditures of \$650 million.

A discussion of APS' current financial condition would not be complete without an examination of its massive capital expenditure program necessary to meet and anticipate

customer needs. Attachments F-I demonstrate the magnitude of these expenditures (Attachment F), the increasing inability to fund necessary projects from internal cash flow (Attachments G and H), and the Company's consequent growing external financing needs (Attachment I). Perhaps the most dramatic indication of the Company's financial predicament is shown in the following graph, which reveals how regulatory lag has led and will continue to lead (absent further Commission action) to almost \$3 billion in investments to serve customers that are not reflected in current rates and which cause the earnings attrition and falling financial measures shown in the preceding attachments.

Arizona Public Service Company Cumulative Capital Expenditures 2003 - 2010



Clearly, Pinnacle West and APS have not seen a return to the days of more stable investment-grade debt ratings. A few extraordinary, nonrecurring items do not a financial recovery make. In any event, in relative terms, they do not constitute a reversal of financial fortunes that eliminate the need for supportive Commission action. In order to provide customers with the high quality electric service they deserve and to prepare for the continuing economic and population growth, APS should earn a return that keeps the Company solidly in investment-grade territory. Solutions which fall short of that do a disservice to customers, shareholders, and the State.

RATE STABILIZATION FUND

In an August 1, 2006, letter to the Commission, APS set forth the reasons why it had determined that the establishment of a rate stabilization fund would not be practical. APS supports the goal of minimizing future price increases, but after further consideration, the Company continues to maintain its position on such a fund.

Currently, APS' revenue deficiency is tens of millions of dollars annually. If APS were ever in a situation where it was receiving excess revenues, a rate stabilization fund could be an option to consider. However, APS' current financial situation does not provide the opportunity to explore that alternative.

Second, APS and the Commission already have the means to utilize some of the rate mechanisms specifically cited by Commissioner Mayes as adopted by Salt River Project ("SRP") – except that APS credits any savings to customers on a more or less current basis (rather than deferring them to a later time), thus producing greater benefits to customers than would a rate stabilization fund. These mechanisms include reflecting APS' savings in O&M expenses in customer rates through commission-approved rate procedures, and crediting to customers the gross margin (revenues net of energy costs) from off-system sales in accordance with the PSA approved by the Commission. APS believes these approaches are preferable to a rate stabilization fund.

Third, the Company disagrees with any notion that shareholder funds should be used to establish a rate stabilization fund. Sound regulation must allow a utility to recover its costs, including the opportunity to earn a fair rate of return on its invested capital. If APS' shareholders were forced to fund additional "stabilization" costs that should otherwise be reflected in rates, such a requirement would undermine the Company's already tenuous financial health, conflict with fundamental regulatory principles, send a highly negative message to the investment community (including investors and lenders), and would clearly be illegal.

Finally, with respect to Commissioner Mayes' reference to the sources of SRP's rate stabilization fund, APS does not know the details of this device. Suffice it to say, however, that comparisons between investor-owned utilities such as APS and governmental or quasi-governmental entities such as SRP can be misplaced. Such public entities have no obligation to earn a return for shareholders who have put their capital at risk. Moreover, SRP's published financial information indicates it fully recovers its costs (unlike APS) and can therefore fund such a program without damage to its strong financial position. APS is not aware of any investor-owned utility in the Company's weak financial condition that has either established or been forced to implement a rate stabilization fund.

TAX MATTERS

Regarding recent property tax reductions enacted by the Arizona Legislature, APS' property tax savings will not be realized until credits appear in APS' tax bills payable on November 1, 2006, and May 1, 2007, dates well beyond the end of the September 30, 2005 test period required by ACC Staff in the current rate filing. Also, APS' overall costs have increased since the end of the test period, and would more than offset such tax reductions.

The \$7 million of income tax credits recorded in the second quarter of 2006 and referenced earlier in this report were also received by APS well after the end of the September 30, 2005, test period and relate to tax years substantially before the current test period. In addition, \$3 million of these tax credits take the form of investment tax credits related to APS tax years 1986 through 1990. Flowing such investment tax credits through to customers would violate Decision No. 58644 (1994) which directed below-the-line amortization of all investment tax credits, and would constitute a normalization violation under the Internal Revenue Code.

RECENT STOCK OPTION EXERCISES

On August 11, 2006, the Arizona Republic published a story titled, "Executives at APS Take Stock Awards." The complete facts are:

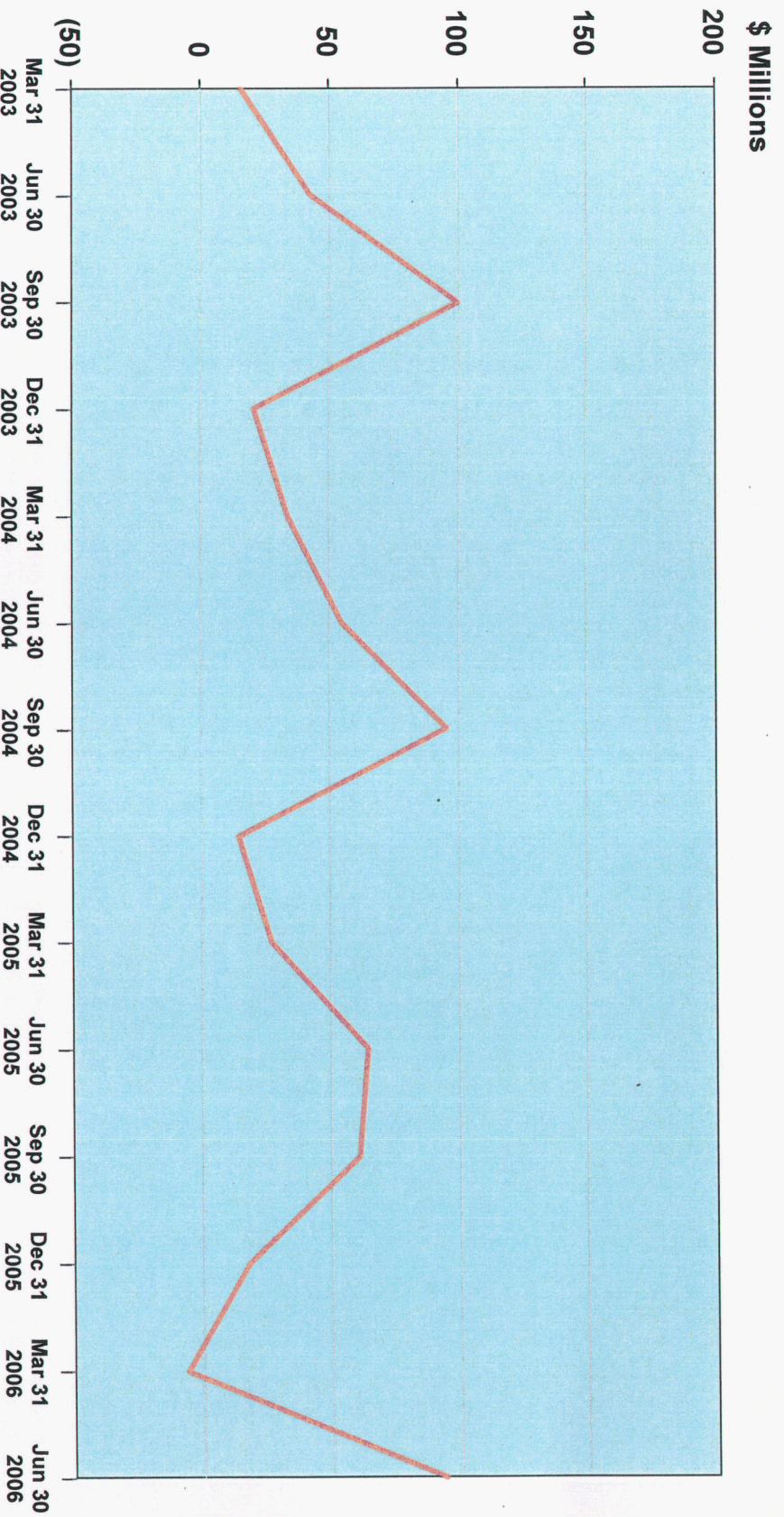
- None of the named officers received any cash proceeds as a result of these option exercises.
- Each officer essentially converted one "paper" financial instrument (*i.e.*, a stock option) into another "paper" financial instrument (*i.e.*, shares of Pinnacle West stock).
- With respect to the option exercises referenced in the story, the executives received the options over the 1996 through 2003 time period. The Company's stock option program was designed to encourage officers to increase their ownership of Pinnacle West stock, and to retain qualified executives. The Company is currently exploring other mechanisms for executive retention.
- Pinnacle West and APS did not incur any expense or cash outflow impact as a result of these recent option exercises.
- As executives of a publicly-traded company, these officers may only exercise options during the period beginning two days after announcing quarterly earnings and ending on the 15th day of the third month of each quarter. All other times constitute a "blackout period". Furthermore, officers are prohibited from exercising options at any time they have knowledge of material, nonpublic information. In this most recent instance, the period for exercising options extended from July 25th through September 14th, but was subject to immediate curtailment if officers came into possession of material non-public information. In practice, Company officers have had very narrow time periods in which they have been permitted to exercise options. The recent exercises of options occurred during just such a time period.

CONCLUSION

As APS reviews its financial circumstances and restrictions on funding flexibility, the pressing need for a rate case to review these vital factors and produce a supportive outcome becomes ever more evident. In the face of rising expenses and energy demand, APS should have the means by which it can recover its costs and earn a fair rate of return on invested capital. The discrepancy between the allowed ROE and actual earned ROE denies shareholders the full value of their investment and, as a result, ultimately punishes Pinnacle West and APS in the capital markets. Further, the deficiency in credit metrics from investment-grade standards increases the Company's cost of capital and perpetuates the very significant risk that APS' credit ratings could be downgraded to "junk." The shortfall needlessly increases the cost of providing high-quality electric service to customers.

Arizona Public Service Company
Net Income (GAAP Earnings)

Three-Month Periods Ended March 31, 2003 to June 30, 2006



NEWS PINNACLE WEST

CAPITAL CORPORATION

FOR IMMEDIATE RELEASE

July 21, 2006

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Analyst Contacts: Rebecca Hickman, (602) 250-5668
Lisa Malagon, (602) 250-5671
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Page 1 of 2

PINNACLE WEST REPORTS 2006 SECOND QUARTER RESULTS

Strong APS Customer Growth Continues

PHOENIX - Pinnacle West Capital Corporation (NYSE: PNW) today reported consolidated net income for the quarter ended June 30, 2006, of \$112.2 million, or \$1.13 per diluted share of common stock. This result compares with net income of \$26.7 million, or \$0.28 per diluted share, for the same quarter a year ago.

On-going consolidated earnings in the 2006 second quarter were \$102 million, or \$1.03 per share, compared with \$86 million, or \$0.89 per share in the comparable 2005 quarter. The 2006 results exclude income tax credits related to prior years of \$10 million, or \$0.10 per share. On-going earnings for the second quarter of 2005 exclude an after-tax loss of \$59 million, or \$0.61 per share, related to the sale of the Silverhawk Power Station.

"Growth in our service territory remains robust," said Pinnacle West Chairman Bill Post, citing Arizona's population growth, which is three times the national average.

"Successfully serving this growth will require continuing cooperation from state regulators as our company invests in new, long-term resources to meet the ever-increasing demand for electricity."

Results for the quarter were positively impacted by higher retail sales at Arizona Public Service (APS) due to customer growth of 4.6 percent; fuel and purchased power cost deferrals; and warmer weather, punctuated by the hottest June on record. The average temperature during June was almost 5 degrees above normal. The warmer weather added \$0.10 per share compared with last year's second quarter.

These positive items were partially offset by higher fuel and purchased power costs; and an increase in operating costs primarily related to higher generation maintenance and customer service costs.

APS reported net income of \$93.8 million for the second quarter of 2006, compared with net income of \$64.0 million for the same period a year ago. In addition, SunCor Development Co., Pinnacle West's real estate subsidiary, reported net income of \$9.6 million, compared with \$11.3 million in the 2005 second quarter.

For more information on Pinnacle West's operating statistics and earnings, please visit www.pinnaclewest.com/financials.

Conference Call

Pinnacle West invites interested parties to listen to the live web cast of management's conference call to discuss the Company's 2006 second quarter earnings and recent developments at 1:00 p.m. (ET), today, Friday, July 21, 2006. The web cast can be accessed at www.pinnaclewest.com/presentations and will be available for replay on the web site for 30 days. To access the live conference call by telephone, dial (877) 356-3961 and enter Conference ID Number 2026344. A replay of the call also will be available until 11:55 p.m. (ET), Friday, July 28, 2006, by calling (800) 642-1687 in the U.S. and Canada or (706) 645-9291 internationally and entering the same ID number as above.

Pinnacle West is a Phoenix-based company with consolidated assets of about \$11 billion. Through its subsidiaries, the Company generates, sells and delivers electricity and sells energy-related products and services to retail and wholesale customers in the western United States. It also develops residential, commercial, and industrial real estate projects.

-30-

PINNACLE WEST CAPITAL CORPORATION NON-GAAP FINANCIAL MEASURE RECONCILIATION – NET INCOME (GAAP MEASURE) TO ON-GOING EARNINGS (NON-GAAP FINANCIAL MEASURE)

	Three Months Ended June 30, 2006		Three Months Ended June 30, 2005	
	\$ in Millions	Diluted EPS	\$ in Millions	Diluted EPS
Net Income	\$ 112	\$ 1.13	\$ 27	\$ 0.28
Adjustments:				
Income tax credits related to prior periods	(10)	(0.10)	--	--
Loss from discontinued operations – Silverhawk Power Station write-down	--	--	56	0.57
Loss from discontinued operations – Silverhawk Power Station operations	--	--	3	0.04
On-going Earnings	<u>\$ 102</u>	<u>\$ 1.03</u>	<u>\$ 86</u>	<u>\$ 0.89</u>

**Excerpt from
Pinnacle West Capital Corporation
2nd Quarter 2006 Earnings Conference Call
July 21, 2006**

Operator: Your next question comes from Ashar Khan of SAC Capital.

Ashar Khan: Good afternoon, how are you guys doing? Don, could you tell me, based on the results first half, are you running above expectations, on expectations, in reference to your earnings target of around \$3, if I'm right? That is still the restated target, right, for the year?

Don Brandt: I don't think we restated it. As Bill mentioned earlier, we're staying with our guidance of a reasonable range of around \$3. So far this year, we're on target within a reasonable range of where we expected to be at this point in the year.

Ashar Khan: So you're saying you're on target, you're not ahead or anything?

Don Brandt: We're on track.

Ashar Khan: Okay. But can I just ask you, LTM I'm getting around 3.20ish of earnings. What are the negatives in the last half that we should look at to get us back to around \$3?

Don Brandt: I'm not sure what kind of a base you're coming off of. Maybe if you--Ashar, give Becky a shout afterwards, she'd be happy to help you walk through some of it.

Ashar Khan: Okay. But is there anything visibility negative in terms of any factors in the next half?

Don Brandt: No, I don't think there's any negatives.

Ashar Khan: Okay. Thank you.

Attachment D



A subsidiary of Pinnacle West Capital Corporation

Brian Brumfield
Supervisor
Regulation, Pricing & Administration

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June 2, 2006

Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85007

RE: DOCKET NO. E-01345A-06-0009
DECISION NO. 68685

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2006 JUN -2 1 P 4: 45
AZ CORP COMMISSION
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Dear Madam or Sir:

Attached is the monthly report on Arizona Public Service Company and Pinnacle West Capital Corporations cash position and financial ratios, as required by Decision No. 68685.

If you or your staff have any questions, please feel free to call me.

Sincerely,

Brian Brumfield
Supervisor
Regulation, Pricing and Administration

BB/bec

Cc: Brian Bozzo
Ernest Johnson

RECEIVED

JUN 02 2006

AZ CORP COMM
Director Utilities

Monthly Cash Position and Financial Ratio Report (1)

March 31,
2006

Ending cash position (in millions):

APS	\$ 77
PNW	\$ 315

APS Financial ratios (12 months ending):

Funds from operations to debt	14.3%
Debt to capital	50.5%
Funds from operations interest coverage	3.2x

Projected APS funds from operations (in millions):

12 months ending 12/31/06	\$ 585
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(1) Required by Decision No. 68685 until resolution
of general rate case



A subsidiary of Pinnacle West Capital Corporation

Brian Brumfield
Supervisor
Regulation, Pricing & Administration

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June 28, 2006

Mr. Ernest Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

RE: DOCKET NO. E-01345A-06-0009
DECISION NO. 68685

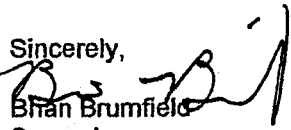
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JUN 28 2006
AZ CORP COMM
Director Utilities

Attached is the monthly report for Arizona Public Service Company and Pinnacle West Capital Corporation's cash position and financial ratios, as required by Decision No. 68685.

Portions of this filing are confidential and therefore will not be docketed.

If you or your staff have any questions, please feel free to call me.

Sincerely,


Brian Brumfield
Supervisor
Regulation, Pricing and Administration

BB/vid

Attachment

CC: Brian Bozzo
Docket Control

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2006 JUN 28 P 4: 57
AZ CORP COMMISSION
DOCUMENT CONTROL

Monthly Cash Position and Financial Ratio Report (1)

	March 31, 2006	April 30, 2006
<u>Ending cash position (in millions):</u>		
APS	\$ 77	\$ -
PNW	\$ 315	\$ 90
<u>APS Financial ratios (12 months ending):</u>		
Funds from operations to debt	14.3%	14.2%
Debt to capital	50.5%	50.5%
Funds from operations interest coverage	3.2x	3.2x
<u>Projected APS funds from operations (in millions):</u>		
12 months ending 12/31/06	\$ 585	\$ 585

(1) Required by decision no. 68685 until resolution of general rate case



A subsidiary of Pinnacle West Capital Corporation

Brian Brumfield
Supervisor
Regulation, Pricing & Administration

Tel. 602-250-2708
Fax 602-250-3003
e-mail Brian.Brumfield@aps.com

Mail Station 9708
PO Box 53999
Phoenix, Arizona 85072-3999

July 27, 2006

Mr. Ernest Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

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JUL 27 2006

LEGAL DIV.
ARIZ. CORPORATION COMMISSION

RECEIVED

JUL 27 2006

AZ CORP COMM
Director Utilities

RE: DOCKET NO. E-01345A-06-0009
DECISION NO. 68685

Attached is the monthly report for Arizona Public Service Company and Pinnacle West Capital Corporation's cash position and financial ratios, as required by Decision No. 68685.

Portions of this filing are confidential and therefore will not be docketed.

If you or your staff have any questions, please feel free to call me.

Sincerely,

Brian Brumfield
Supervisor
Regulation, Pricing and Administration

BB/vld

Attachment

CC: Brian Bozzo
Docket Control

AZ CORP COMMISSION
DOCUMENT CONTROL

2006 JUL 27 P 4:51

RECEIVED

Monthly Cash Position and Financial Ratio Report (1)

May 31,
2006

Ending cash position (in millions):

APS	\$	-
PNW	\$	47

APS Financial ratios (12 months ending):

Funds from operations to debt	15.1%
Debt to capital	51.7%
Funds from operations interest coverage	3.4x

Projected APS funds from operations (in millions):

12 months ending 12/31/06	\$	585
---------------------------	----	-----

(1) Required by decision no. 68685 until resolution of general rate case



Justin H. Thompson
Manager
Regulation, Policy & Analysis

Tel 602/250-2060
Fax 602/250-3003
E-Mail: Justin.Thompson@aps.com
<http://www.aps.com>

Mail Station 9708
P.O. Box 53999
Phoenix, AZ 85072-3999

RECEIVED

May 25, 2006

MAY 25 2006

AZ CORP COMM
Director Utilities

Mr. Ernest Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

RE: APS FINANCIAL REPORT
FIRST QUARTER ENDING MARCH 31, 2006

Dear Mr. Johnson:

Attached are the First Quarter Financial Results and associated graphs for Arizona Public Service Company for the quarter ending March 31, 2006.

If you have any questions regarding this filing, please contact me at (602) 250-2060.

Sincerely,

Justin H. Thompson
Manager
Regulation, Policy & Analysis

JHT/jd

Attachment

CC: Brian Bozzo
Compliance and Enforcement

ARIZONA PUBLIC SERVICE COMPANY

2006 ACTUAL FINANCIAL RESULTS
(DOLLARS IN MILLIONS)

	2005					2006
	Yr End	Q1	Q2	Q3	Q4	Yr End
Short-Term Debt	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cash & Cash Equivalents	49.9	76.6	\$0.0	0.0	0.0	0.0
FINANCING: (a)						
Long-Term Debt	YTD 411.8	0.0	0.0	0.0	0.0	YTD 0.0
Preferred Stock	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal	411.8	0.0	0.0	0.0	0.0	0.0
Change in S-T Debt	0.0	0.0	0.0	0.0	0.0	0.0
Total	\$411.8	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Repayments and Recquisitions (b)	(\$568.2)	(\$0.8)	\$0.0	\$0.0	\$0.0	(\$0.8)

CAPITALIZATION RATIOS:

Long-Term Debt (Including Current Maturities)	46.2%	46.1%	0.0%	0.0%	0.0%	0.0%
Short-Term Debt	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Debt	46.2%	46.1%	0.0%	0.0%	0.0%	0.0%
Preferred Stock	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Common Equity	53.8%	53.9%	0.0%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%

Adjusted Debt Ratio (c)	50.6%	50.5%	0.0%	0.0%	0.0%	0.0%
Non-Cash Income % Earnings (d) (e)	41.9%	61.0%	0.0%	0.0%	0.0%	0.0%
Net Cash Flow excl. Non-Cash Inc.						
% of Capital Expenditures (d)	36.9%	33.0%	0.0%	0.0%	0.0%	0.0%

TIMES EARNED COVERAGES:

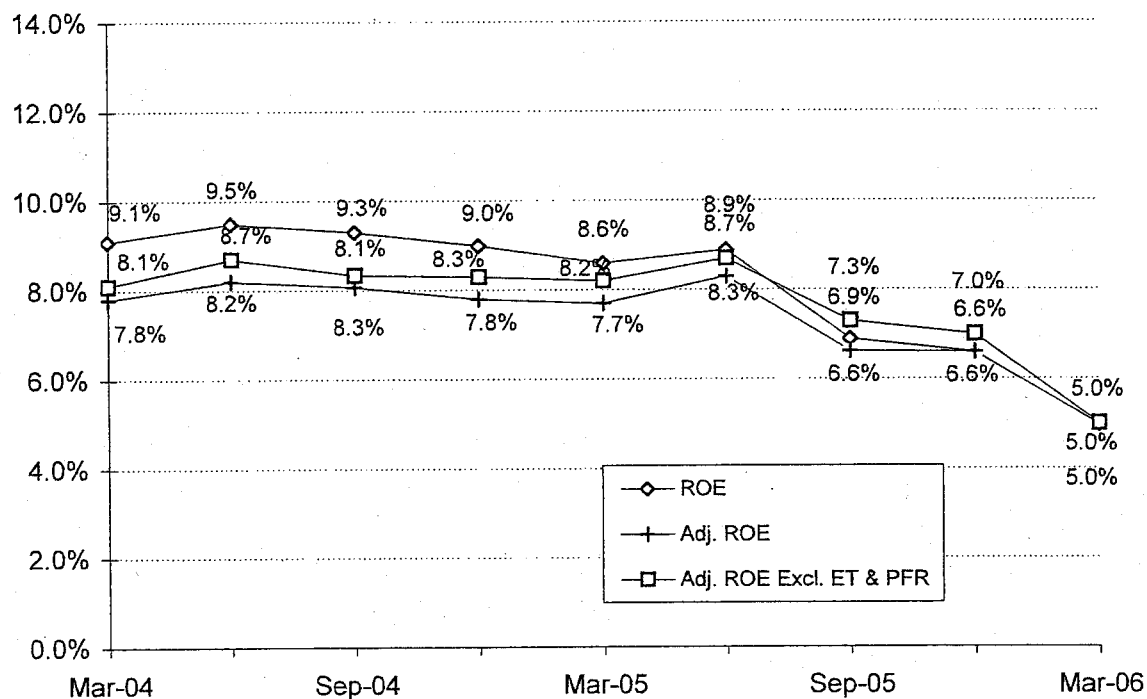
Before Tax	2.50	2.21	0.00	2.46	0.00	0.00
Before Tax excl. Non-Cash Inc. (d)	2.40	2.10	0.00	2.36	0.00	0.00
After Tax Incl. Preferred Div.	1.95	1.77	0.00	1.92	0.00	0.00
Return on Average Equity	6.6%	5.0%	0.0%	0.0%	0.0%	0.0%
Adjusted Return on Average Equity (e)	6.6%	5.0%	0.0%	0.0%	0.0%	0.0%
Adj. Return on Avg. Equity Excl E.T. & P.F.R. (e) (f)	7.0%	5.0%	0.0%	0.0%	0.0%	0.0%
Return on Avg. Total Capital	6.2%	5.4%	0.0%	0.0%	0.0%	0.0%

NOTES:

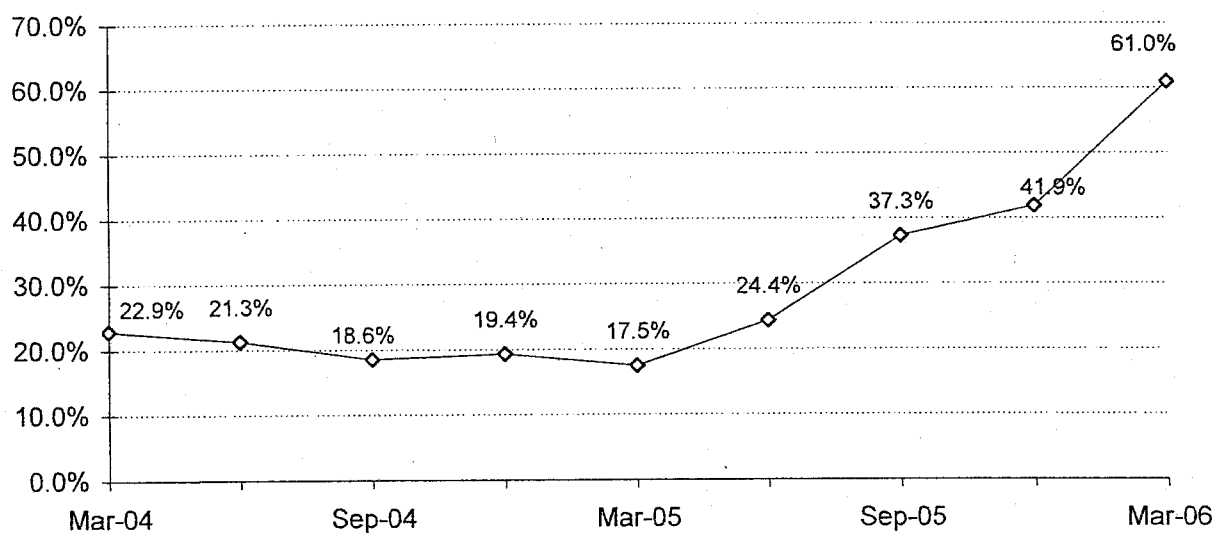
- Financing is shown net of issuance cost for period referenced.
- Includes premiums on reacquired debt and preferred stock.
- Adjusted Debt Ratio includes Palo Verde Unit #2 sale/leaseback and imputed debt on purchased power agreements. Beginning December 2004 APS included purchased power agreements to the adjusted debt ratio.
- Non-cash income is defined as Capitalized Interest, AFUDC Equity and Deferred Fuel Costs beginning April 2005, using cumulative twelve month ended values.
- Amortization of \$183 million present value stranded revenue disallowance is included in adjustment starting with 9/99 financial results and ending 11/05.
- Excludes Competitive Energy Trading and Purchases For Resale.

ARIZONA PUBLIC SERVICE COMPANY

Return on Average Common Equity,
Adjusted Return on Average Equity, and
Adjusted Return on Avg. Equity Excl. - Comp. Energy Trading & Purch. For Resale*



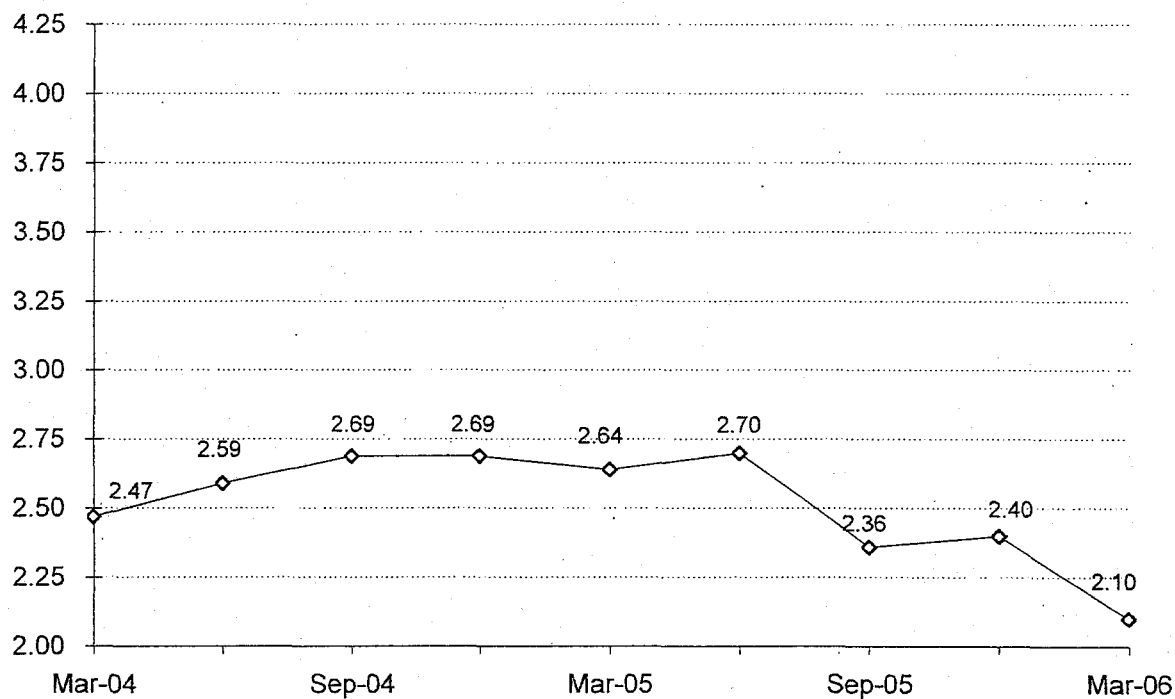
Non-Cash Income
as a % of Earnings *



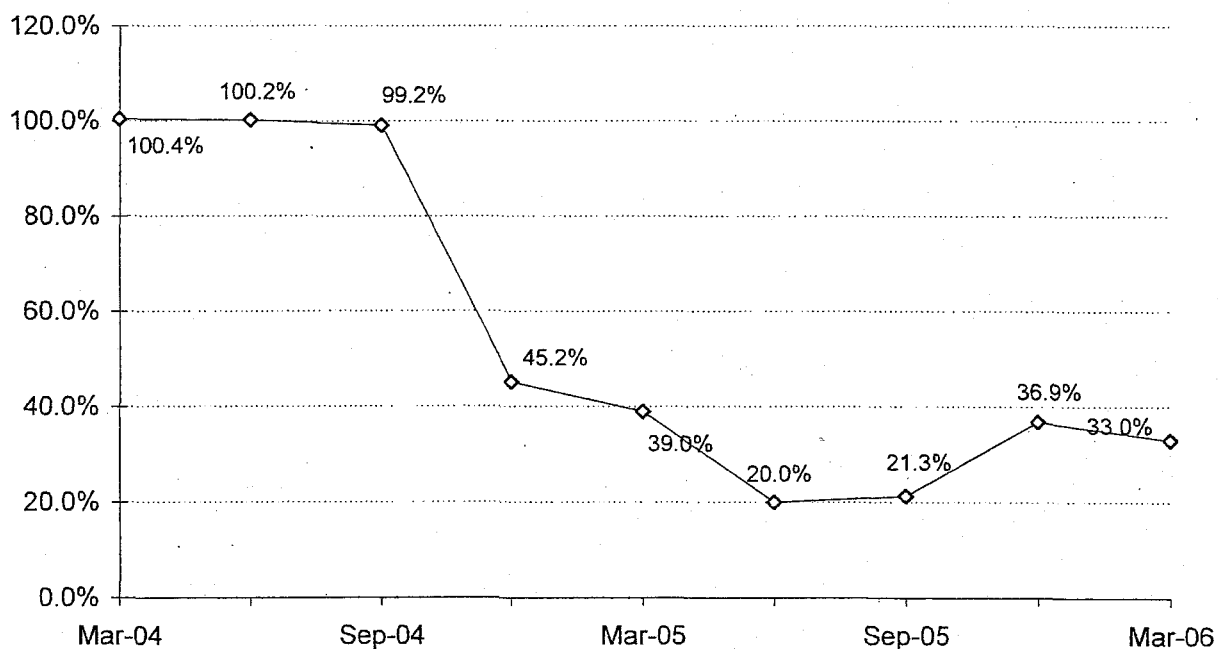
* See notes on Financial Results page for explanation of calculations.

ARIZONA PUBLIC SERVICE COMPANY

Fixed Charge Coverage Before Taxes Excluding Non-Cash Income *



Net Cash Flow Excluding Non-Cash Income as a % of Capital Expenditures *



* See notes on Financial Results page for explanation of calculations.



Justin Thompson
Manager
Regulation, Policy & Analysis

Tel 602-250-2060
Fax 602-250-3003
e-mail: Justin.Thompson@aps.com
<http://www.aps.com>

Mail Station 9708
P.O. Box 53999
Phoenix, AZ 85072-3999

March 31, 2006

Mr. Ernest Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

RECEIVED

MAR 31 2006

Z Corporation Commissic
Director of Utilities

RE: APS FINANCIAL REPORT
FOURTH QUARTER ENDING December 31, 2005

Dear Mr. Johnson:

Attached are the Quarterly Financial Results and associated graphs for Arizona Public Service Company for the quarter ending December 31, 2005.

If you have any questions regarding this filing, please contact me at (602) 250-2060.

Sincerely,

Justin H. Thompson
Manager
Regulation, Policy & Analysis

JHT/vld

Attachment

Cc: Brian Bozzo
Compliance and Enforcement

ARIZONA PUBLIC SERVICE COMPANY

2005 ACTUAL FINANCIAL RESULTS
(DOLLARS IN MILLIONS)

	2004 Yr End	Q1	Q2	Q3	Q4	2005 Yr End
Short-Term Debt						
Cash & Cash Equivalents	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	\$230.8	101.8	\$477.4	740.4	49.9	49.9
FINANCING: (a)						YTD
Long-Term Debt	478.1	164.0	0.0	247.8	0.0	411.8
Preferred Stock	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal	478.1	164.0	0.0	247.8	0.0	411.8
Change in S-T Debt	0.0	0.0	0.0	0.0	0.0	0.0
Total	\$478.1	\$164.0	\$0.0	\$247.8	\$0.0	\$411.8
Repayments and Reacquisitions (b)	(\$385.9)	(\$264.5)	(\$0.5)	(\$303.2)	\$0.0	(\$568.2)

CAPITALIZATION RATIOS:

Long-Term Debt (Including Current Maturities)	54.9%	53.4%	51.9%	46.0%	46.2%	46.2%
Short-Term Debt	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Debt	54.9%	53.4%	51.9%	46.0%	46.2%	46.2%
Preferred Stock	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Common Equity	45.1%	46.6%	48.1%	54.0%	53.8%	53.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Adjusted Debt Ratio (c)	58.7%	57.7%	56.3%	50.5%	50.6%	50.6%
Non-Cash Income % Earnings (d) (e)	19.4%	17.5%	24.4%	37.3%	41.9%	41.9%
Net Cash Flow excl. Non-Cash Inc.	45.2%	39.0%	20.0%	21.3%	36.9%	36.9%
% of Capital Expenditures (d)						

TIMES EARNED COVERAGES:

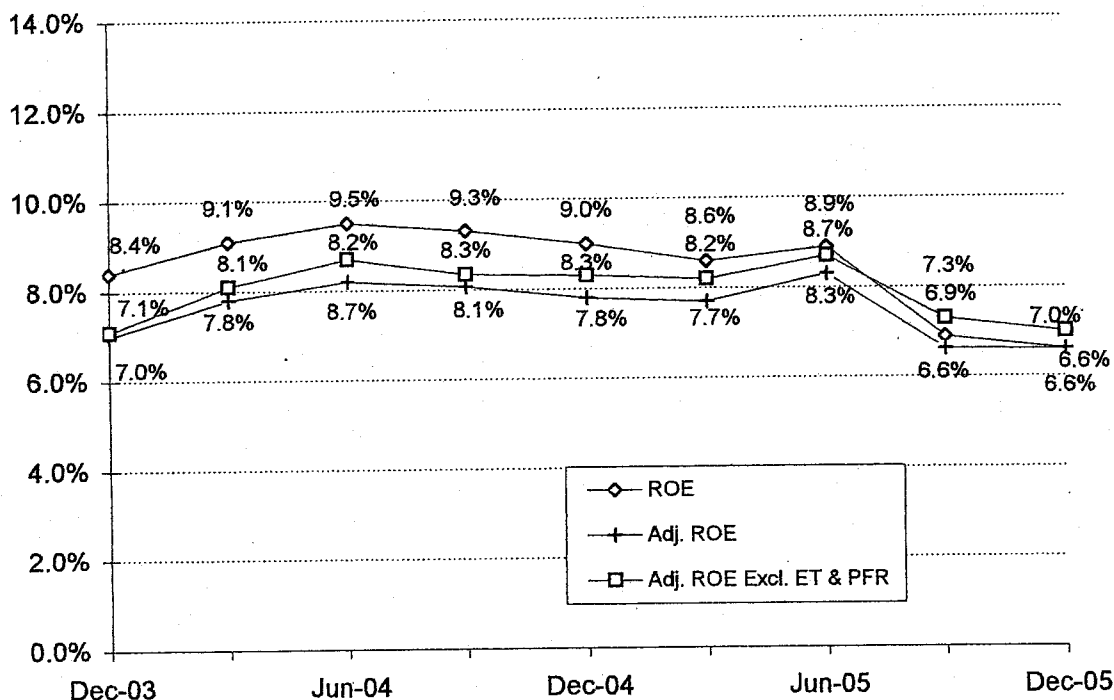
Before Tax	2.76	2.72	2.78	2.46	2.50	2.50
Before Tax excl. Non-Cash Inc. (d)	2.69	2.64	2.70	2.36	2.40	2.40
After Tax Incl. Preferred Div.	2.10	2.07	2.09	1.92	1.95	1.95
Return on Average Equity	9.0%	8.6%	8.9%	6.9%	6.6%	6.6%
Adjusted Return on Average Equity (e)	7.8%	7.7%	8.3%	6.6%	6.6%	6.6%
Adj. Return on Avg. Equity Excl E.T. & P.F.R. (e) (f)	8.3%	8.2%	8.7%	7.3%	7.0%	7.0%
Return on Avg. Total Capital	7.3%	7.0%	7.2%	6.3%	6.2%	6.2%

NOTES:

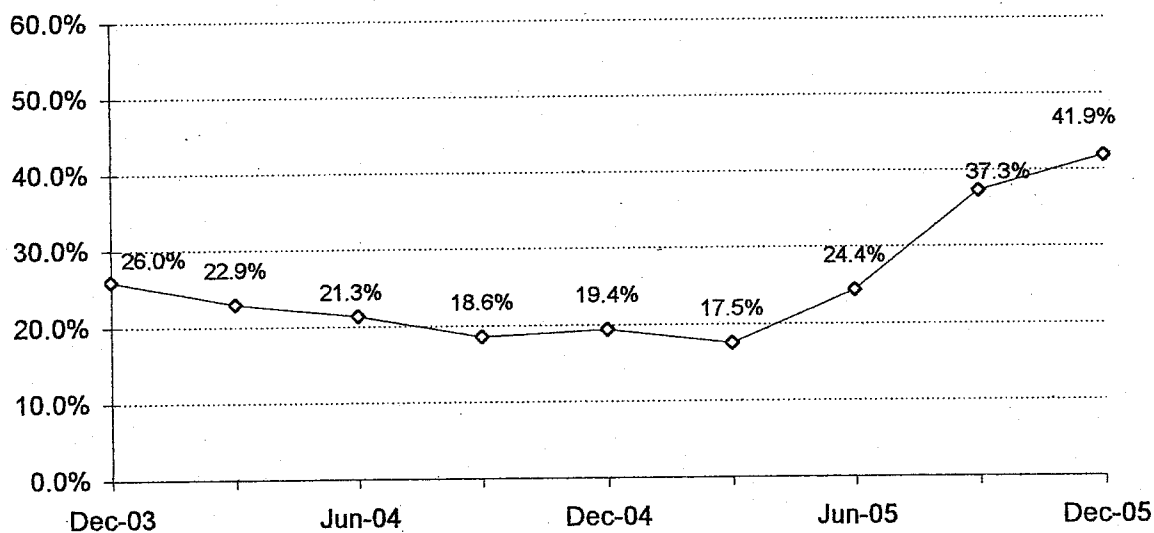
- Financing is shown net of issuance cost for period referenced.
- Includes premiums on reacquired debt and preferred stock.
- Adjusted Debt Ratio includes Palo Verde Unit #2 sale/leaseback and imputed debt on purchased power agreements. Beginning December 2004 APS included purchased power agreements to the adjusted debt ratio.
- Non-cash income is defined as Capitalized interest, AFUDC Equity and Deferred Fuel Costs beginning April 2005, using cumulative twelve month ended values.
- Amortization of \$183 million present value stranded revenue disallowance is included in adjustment starting with 9/99 financial results and ending 11/05.
- Excludes Competitive Energy Trading and Purchases For Resale.

ARIZONA PUBLIC SERVICE COMPANY

Return on Average Common Equity,
Adjusted Return on Average Equity, and
Adjusted Return on Avg. Equity Excl. - Comp. Energy Trading & Purch. For Resale*



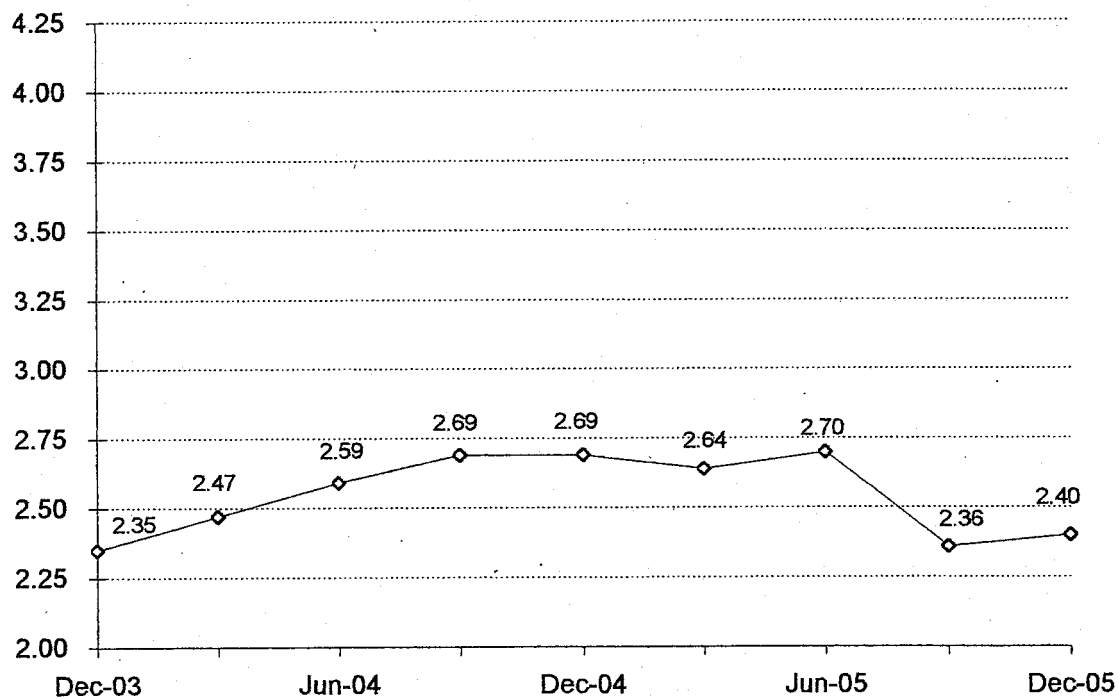
Non-Cash Income
as a % of Earnings *



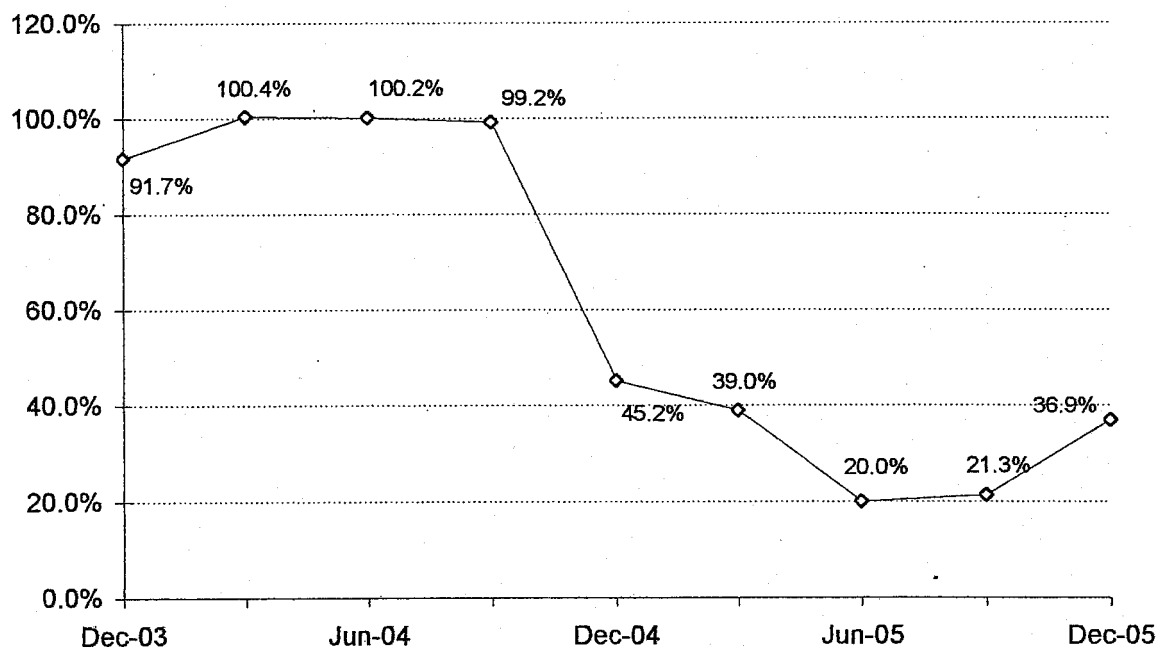
* See notes on Financial Results page for explanation of calculations.

ARIZONA PUBLIC SERVICE COMPANY

Fixed Charge Coverage Before Taxes Excluding Non-Cash Income *



Net Cash Flow Excluding Non-Cash Income as a % of Capital Expenditures *



* See notes on Financial Results page for explanation of calculations.



Justin H. Thompson
Manager
Regulation, Policy & Analysis

Tel 602/250-2060
Fax 602/250-3003
E-Mail: Justin.Thompson@aps.com
<http://www.aps.com>

Mail Station 9708
P.O. Box 53999
Phoenix, AZ 85072-3999

November 29, 2005

Mr. Ernest Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

RECEIVED

NOV 29 2005

**AZ Corporation Commission
Director of Utilities**

RE: APS FINANCIAL REPORT
THIRD QUARTER ENDING September 30, 2005

Dear Mr. Johnson:

Attached are the Quarterly Financial Results and associated graphs for Arizona Public Service Company for the quarter ending September 30, 2005.

If you have any questions regarding this filing, please contact me at (602) 250-2060.

Sincerely,

Justin H. Thompson
Manager
Regulation, Policy & Analysis

JHT/jd

Attachment

CC: Brian Bozzo
Compliance and Enforcement

ARIZONA PUBLIC SERVICE COMPANY

2005 ACTUAL FINANCIAL RESULTS
(DOLLARS IN MILLIONS)

	2004		2005	
	Yr End	Q1	Q2	Q3
Short-Term Debt	\$0.0	\$0.0	\$0.0	\$0.0
Cash & Cash Equivalents	\$230.8	101.8	\$477.4	740.4
FINANCING: (a)				
Long-Term Debt	478.1	164.0	0.0	247.8
Preferred Stock	0.0	0.0	0.0	0.0
Subtotal	478.1	164.0	0.0	247.8
Change in S-T Debt	0.0	0.0	0.0	0.0
Total	\$478.1	\$164.0	\$0.0	\$247.8
				YTD
				411.8
				411.8
				0.0
				\$411.8

Repayments and Reacquisitions (b) (\$385.9) (\$264.5) (\$0.5) (\$303.2) \$0.0 (\$568.2)

CAPITALIZATION RATIOS:

Long-Term Debt (Including Current Maturities)	54.9%	53.4%	51.9%	46.0%	0.0%	0.0%
Short-Term Debt	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Debt	54.9%	53.4%	51.9%	46.0%	0.0%	0.0%
Preferred Stock	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Common Equity	45.1%	46.6%	48.1%	54.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	0.0%	0.0%

Adjusted Debt Ratio (c)	58.7%	57.7%	56.3%	50.5%	0.0%	0.0%
Non-Cash Income % Earnings (d) (e)	19.4%	17.5%	14.1%	14.6%	0.0%	0.0%
Net Cash Flow excl. Non-Cash Inc. % of Capital Expenditures (d)	45.2%	39.0%	20.0%	21.3%	0.0%	0.0%

TIMES EARNED COVERAGES:

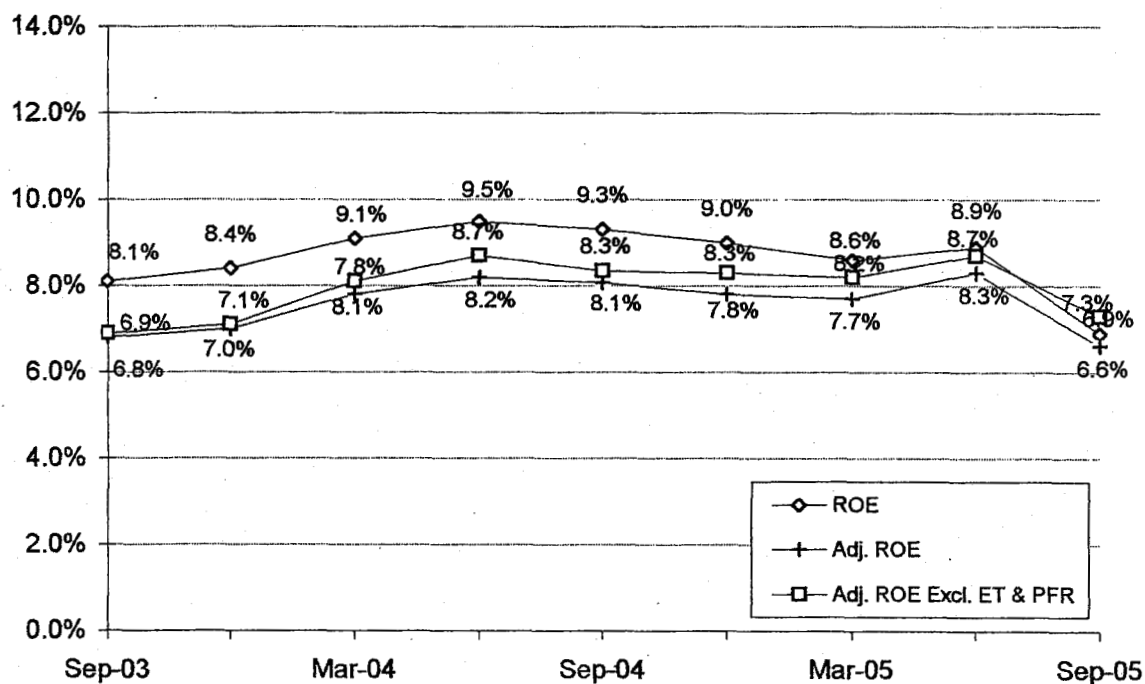
Before Tax	2.76	2.72	2.78	2.46	0.00	0.00
Before Tax excl. Non-Cash Inc. (d)	2.69	2.64	2.70	2.36	0.00	0.00
After Tax Incl. Preferred Div.	2.10	2.07	2.09	1.92	0.00	0.00
Return on Average Equity	9.0%	8.6%	8.9%	6.9%	0.0%	0.0%
Adjusted Return on Average Equity (e)	7.8%	7.7%	8.3%	6.6%	0.0%	0.0%
Adj. Return on Avg. Equity Excl E.T. & P.F.R. (e) (f)	8.3%	8.2%	8.7%	7.3%	0.0%	0.0%
Return on Avg. Total Capital	7.3%	7.0%	7.2%	6.3%	0.0%	0.0%

NOTES:

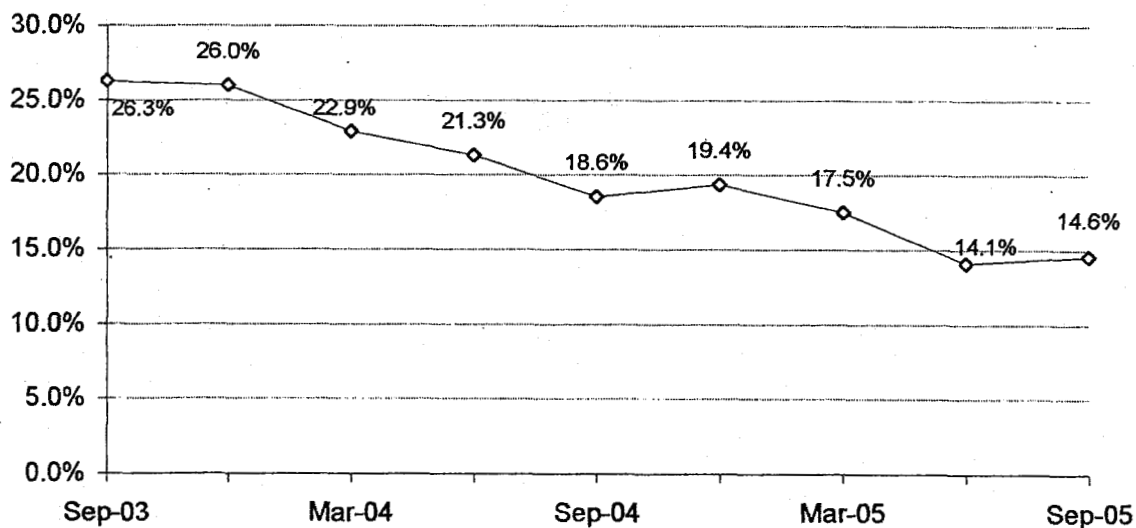
- Financing is shown net of issuance cost for period referenced.
- Includes premiums on reacquired debt and preferred stock.
- Adjusted Debt Ratio includes Palo Verde Unit #2 sale/leaseback and imputed debt on purchased power agreements. Beginning December 2004 APS included purchased power agreements to the adjusted debt ratio.
- Non-cash income is defined as Capitalized Interest and AFUDC Equity.
- Amortization of \$183 million present value stranded revenue disallowance is included in adjustment starting with 9/99 financial results.
- Excludes Competitive Energy Trading and Purchases For Resale.

ARIZONA PUBLIC SERVICE COMPANY

Return on Average Common Equity,
Adjusted Return on Average Equity, and
Adjusted Return on Avg. Equity Excl. - Comp. Energy Trading & Purch. For Resale*



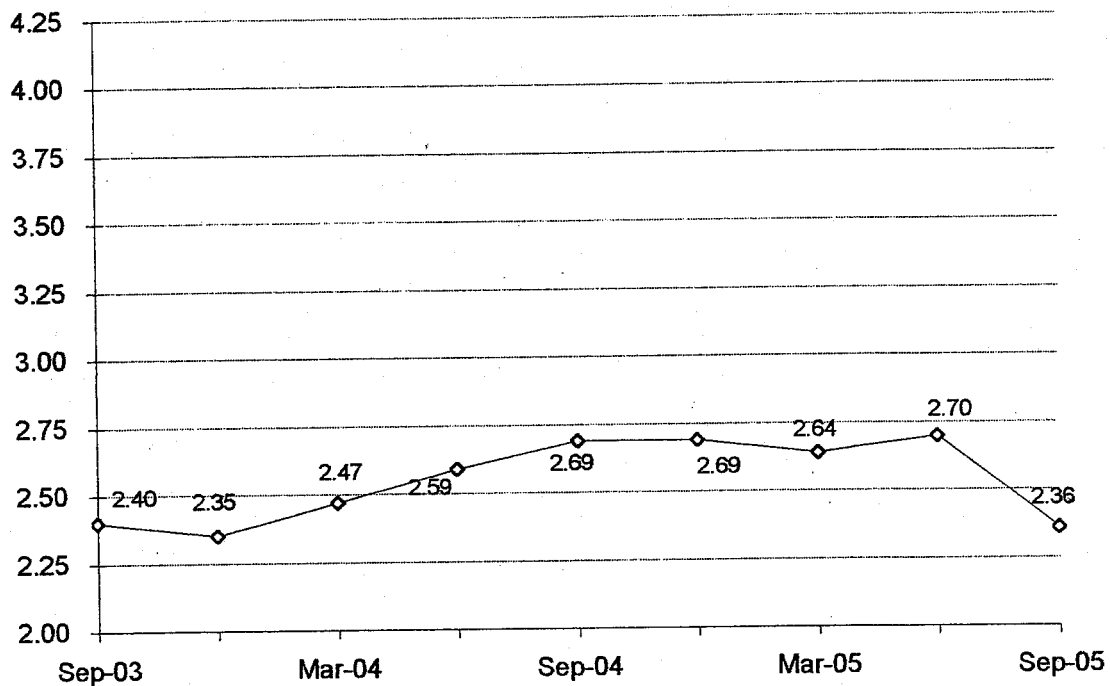
Non-Cash Income
as a % of Earnings *



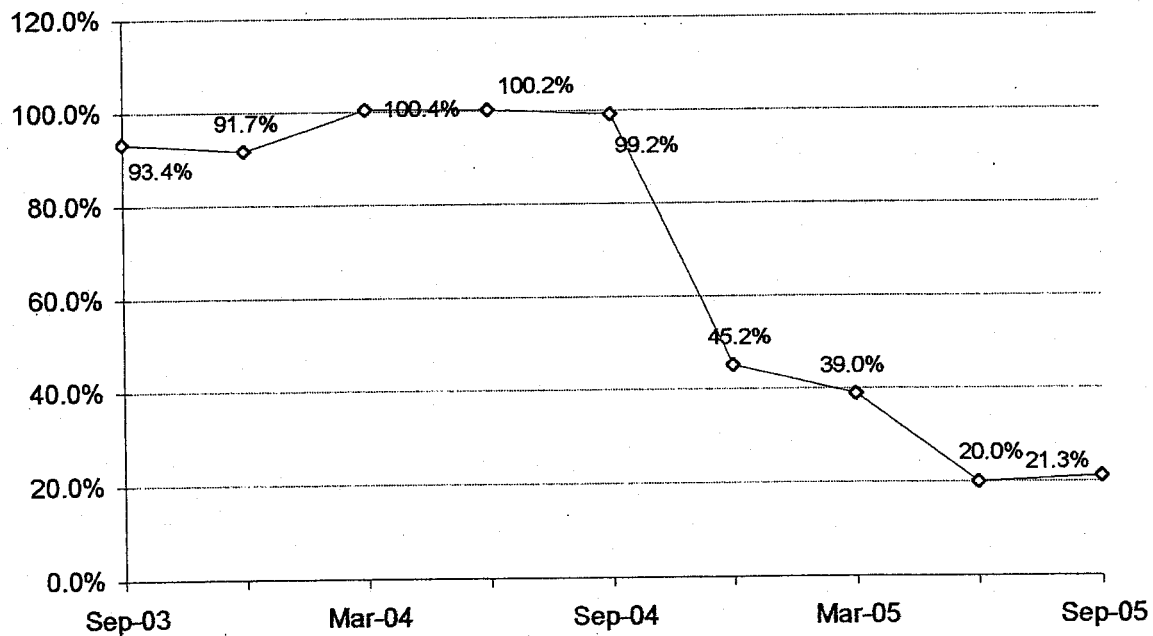
* See notes on Financial Results page for explanation of calculations.

ARIZONA PUBLIC SERVICE COMPANY

Fixed Charge Coverage Before Taxes Excluding Non-Cash Income *



Net Cash Flow Excluding Non-Cash Income as a % of Capital Expenditures *



* See notes on Financial Results page for explanation of calculations.



Justin H. Thompson
Manager
Regulation, Policy & Analysis

Tel 602/250-2060
Fax 602/250-3003
E-Mail: Justin.Thompson@aps.com
<http://www.aps.com>

Mail Station 9708
P.O. Box 53999
Phoenix, AZ 85072-3999

August 31, 2005

Mr. Ernest Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

RECEIVED

AUG 31 2005

AZ Corporation Commission
Director of Utilities

RE: APS FINANCIAL REPORT
SECOND QUARTER ENDING June 30, 2005

Dear Mr. Johnson:

Attached are the Quarterly Financial Results and associated graphs for Arizona Public Service Company for the quarter ending June 30, 2005.

If you have any questions regarding this filing, please contact me at (602) 250-2060.

Sincerely,

Justin H. Thompson
Manager
Regulation, Policy & Analysis

JHT/jd

Attachment

CC: Brian Bozzo
Compliance and Enforcement

ARIZONA PUBLIC SERVICE COMPANY

2005 ACTUAL FINANCIAL RESULTS
(DOLLARS IN MILLIONS)

	2004		2005			
	Yr End	Q1	Q2	Q3	Q4	Yr End
Short-Term Debt	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cash & Cash Equivalents	\$230.8	101.8	\$477.4	0.0	0.0	0.0
FINANCING: (a)						YTD
Long-Term Debt	478.1	164.0	0.0	0.0	0.0	164.0
Preferred Stock	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal	478.1	164.0	0.0	0.0	0.0	164.0
Change in S-T Debt	0.0	0.0	0.0	0.0	0.0	0.0
Total	\$478.1	\$164.0	\$0.0	\$0.0	\$0.0	\$164.0
Repayments and Reacquisitions (b)	(\$385.9)	(\$264.5)	(\$0.5)	\$0.0	\$0.0	(\$265.0)

CAPITALIZATION RATIOS:

Long-Term Debt (Including Current Maturities)	54.9%	53.4%	51.9%	0.0%	0.0%	0.0%
Short-Term Debt	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Debt	54.9%	53.4%	51.9%	0.0%	0.0%	0.0%
Preferred Stock	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Common Equity	45.1%	46.6%	48.1%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	0.0%	0.0%	0.0%

Adjusted Debt Ratio (c)	58.7%	57.7%	56.3%	0.0%	0.0%	0.0%
Non-Cash Income % Earnings (d) (e)	19.4%	17.5%	14.1%	0.0%	0.0%	0.0%
Net Cash Flow excl. Non-Cash Inc.	45.2%	39.0%	20.0%	0.0%	0.0%	0.0%
% of Capital Expenditures (d)						

TIMES EARNED COVERAGES:

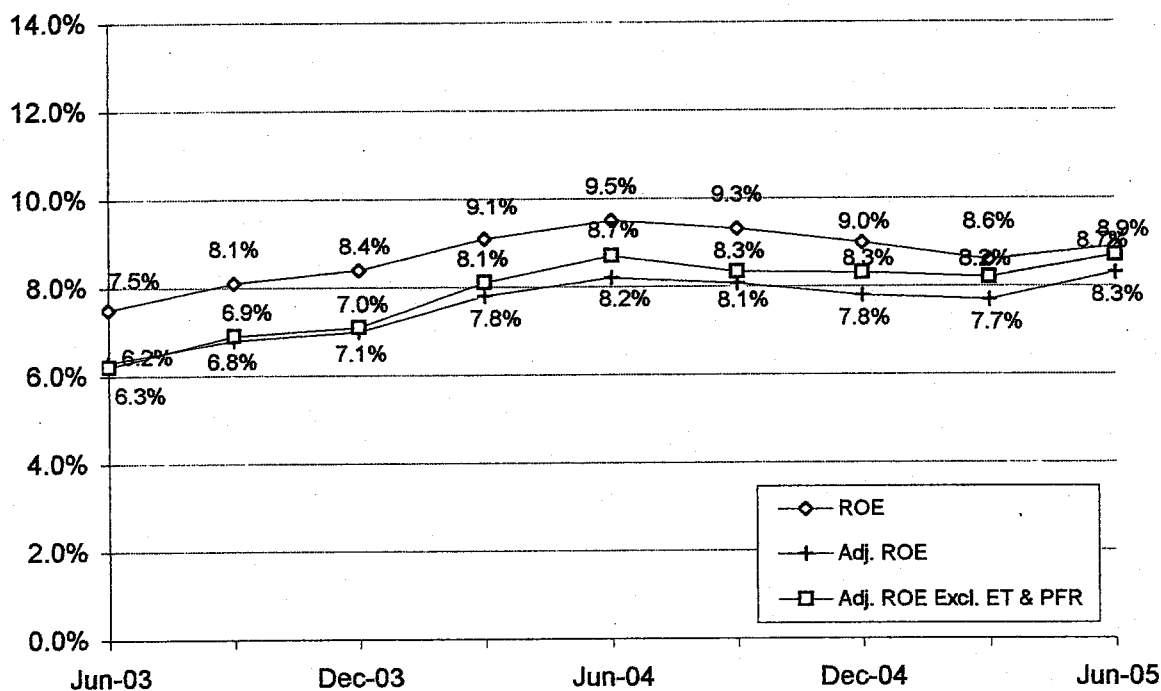
Before Tax	2.76	2.72	2.78	0.00	0.00	0.00
Before Tax excl. Non-Cash Inc. (d)	2.69	2.64	2.70	0.00	0.00	0.00
After Tax Incl. Preferred Div.	2.10	2.07	2.09	0.00	0.00	0.00
Return on Average Equity	9.0%	8.6%	8.9%	0.0%	0.0%	0.0%
Adjusted Return on Average Equity (e)	7.8%	7.7%	8.3%	0.0%	0.0%	0.0%
Adj. Return on Avg. Equity Excl E.T. & P.F.R. (e) (f)	8.3%	8.2%	8.7%	0.0%	0.0%	0.0%
Return on Avg. Total Capital	7.3%	7.0%	7.2%	0.0%	0.0%	0.0%

NOTES:

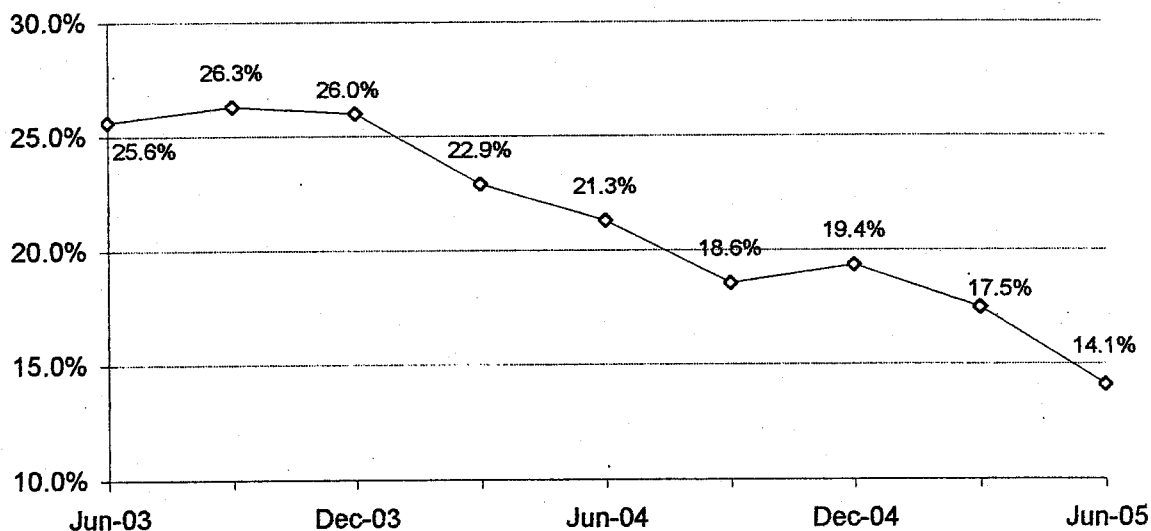
- Financing is shown net of issuance cost for period referenced.
- Includes premiums on reacquired debt and preferred stock.
- Adjusted Debt Ratio includes Palo Verde Unit #2 sale/leaseback and imputed debt on purchased power agreements. Beginning December 2004 APS included purchased power agreements to the adjusted debt ratio.
- Non-cash income is defined as Capitalized Interest and AFUDC Equity.
- Amortization of \$183 million present value stranded revenue disallowance is included in adjustment starting with 9/99 financial results.
- Excludes Competitive Energy Trading and Purchases For Resale.

ARIZONA PUBLIC SERVICE COMPANY

Return on Average Common Equity,
Adjusted Return on Average Equity, and
Adjusted Return on Avg. Equity Excl. - Comp. Energy Trading & Purch. For Resale*

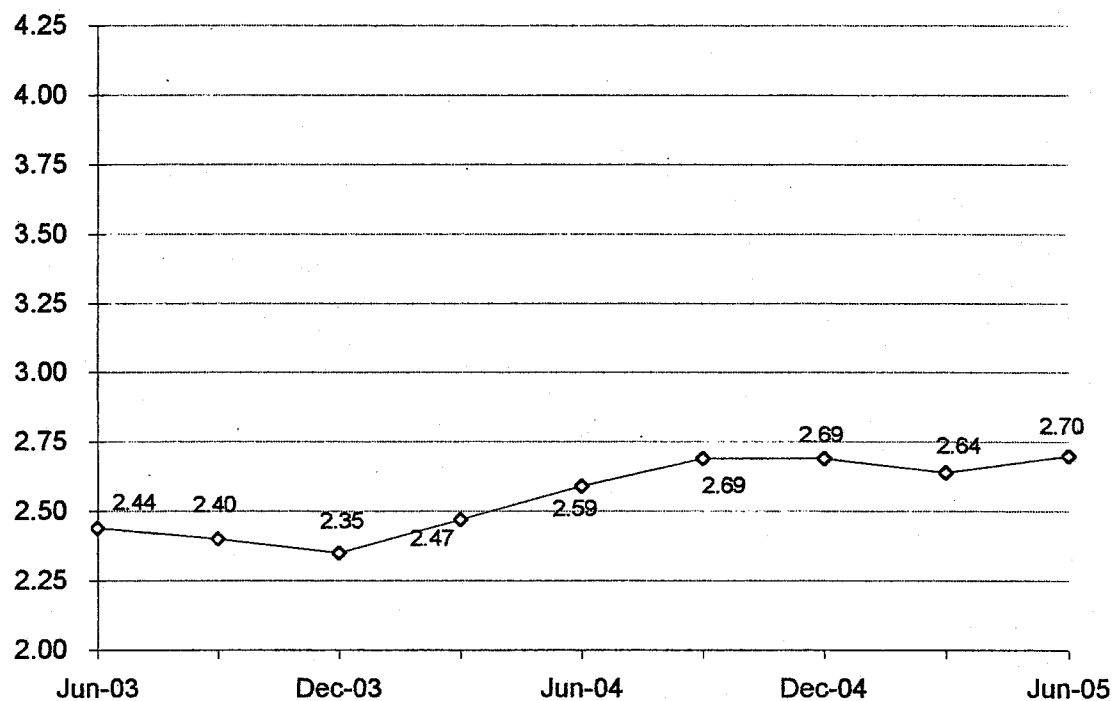


Non-Cash Income
as a % of Earnings *

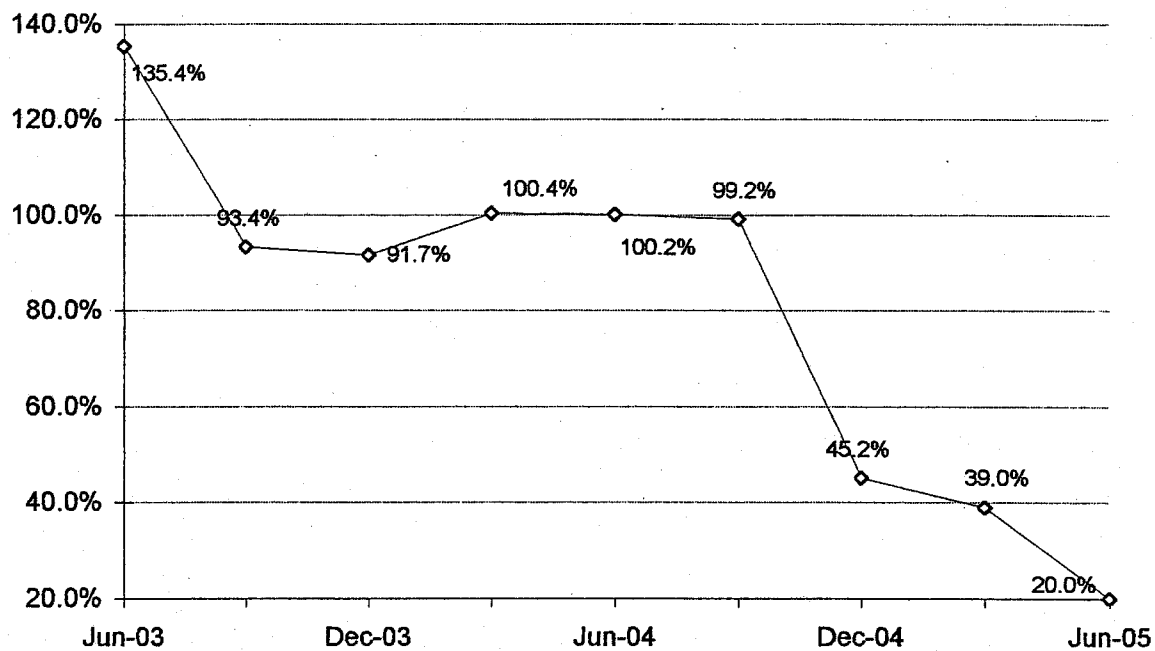


ARIZONA PUBLIC SERVICE COMPANY

Fixed Charge Coverage Before Taxes Excluding Non-Cash Income *



Net Cash Flow Excluding Non-Cash Income as a % of Capital Expenditures *





Justin H. Thompson
Manager
Regulation, Policy & Analysis

Tel 602/250-2060
Fax 602/250-3003
E-Mail: Justin.Thompson@aps.com
<http://www.aps.com>

Mail Station 9908
P.O. Box 53999
Phoenix, AZ 85072-3999

May 24, 2005

RECEIVED

MAY 9 4 2005

Mr. Ernest Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

AZ Corporation Commission
Director Of Utilities

RE: APS FINANCIAL REPORT
FIRST QUARTER ENDING MARCH 31, 2005

Dear Mr. Johnson:

Attached are the First Quarter Financial Results and associated graphs for Arizona Public Service Company for the quarter ending March 31, 2005.

If you have any questions regarding this filing, please contact me at (602) 250-2060.

Sincerely,

Justin H. Thompson
Manager
Regulation, Policy & Analysis

JHT/jd

Attachment

CC: Brian Bozzo
Compliance and Enforcement

ARIZONA PUBLIC SERVICE COMPANY

2005 ACTUAL FINANCIAL RESULTS
(DOLLARS IN MILLIONS)

	2004	2005
	Yr End	Yr End
Short-Term Debt	\$0.0	\$0.0
Cash & Cash Equivalents	230.8	0.0
FINANCING:		
Long-Term Debt	479.0	0.0
Preferred Stock	0.0	0.0
Subtotal	479.0	0.0
Change in S-T Debt	0.0	0.0
Total	\$479.0	\$0.0

Repayments and Recquisitions (a) (\$385.9) \$0.0 \$0.0 \$0.0

CAPITALIZATION RATIOS:

Long-Term Debt (Including Current Maturities)	54.9%	0.0%	0.0%	0.0%	0.0%
Short-Term Debt	0.0%	0.0%	0.0%	0.0%	0.0%
Total Debt	54.9%	0.0%	0.0%	0.0%	0.0%
Preferred Stock	0.0%	0.0%	0.0%	0.0%	0.0%
Common Equity	45.1%	46.6%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	0.0%	0.0%	0.0%

Adjusted Debt Ratio (b)	58.7%	57.7%	0.0%	0.0%	0.0%
Non-Cash Income % Earnings (c) (d)	19.4%	17.5%	0.0%	0.0%	0.0%
Net Cash Flow excl. Non-Cash Inc.					
% of Capital Expenditures (c)	45.2%	39.0%	0.0%	0.0%	0.0%

TIMES EARNED COVERAGES:

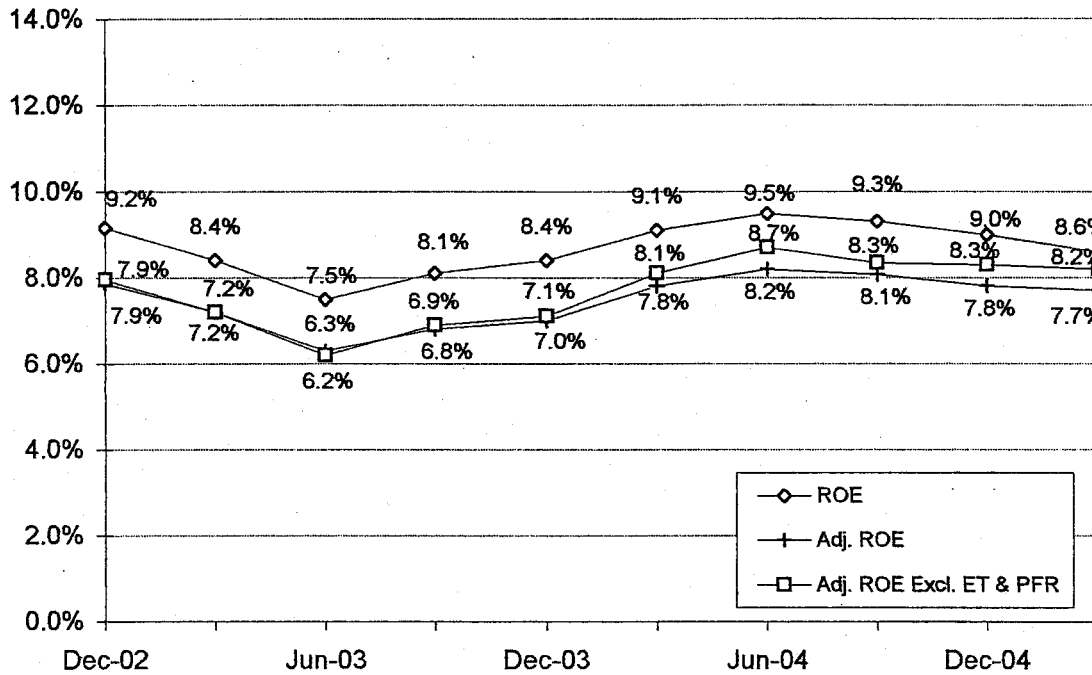
Before Tax	2.76	2.72	0.00	0.00	0.00
Before Tax excl. Non-Cash Inc. (c)	2.69	2.64	0.00	0.00	0.00
After Tax Incl. Preferred Div.	2.10	2.07	0.00	0.00	0.00
Return on Average Equity	9.0%	8.6%	0.0%	0.0%	0.0%
Adjusted Return on Average Equity (e)	7.8%	7.7%	0.0%	0.0%	0.0%
Adj. Return on Avg. Equity Excl E.T. & P.F.R. (d) (e.)	8.3%	8.2%	0.0%	0.0%	0.0%
Return on Avg. Total Capital	7.3%	7.0%	0.0%	0.0%	0.0%

NOTES:

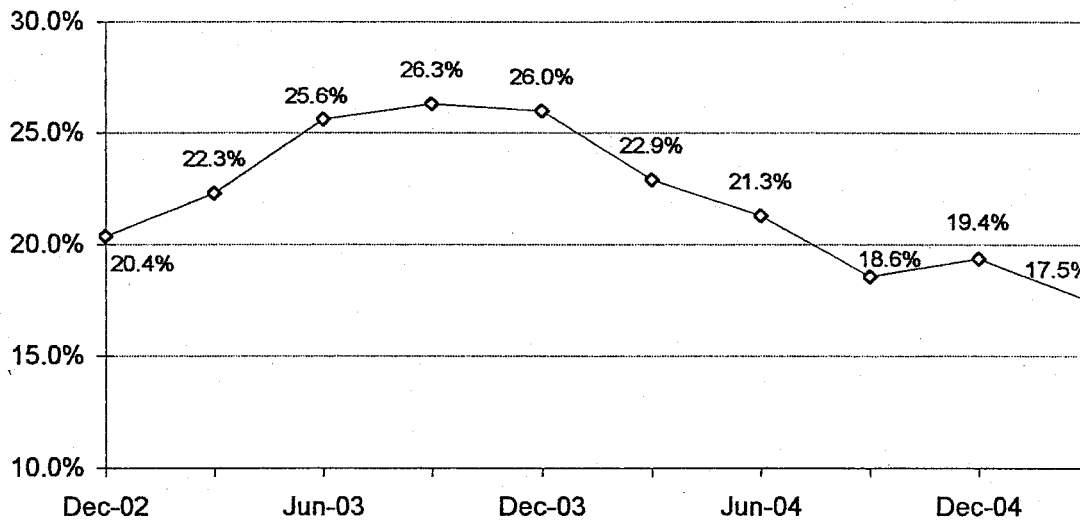
- Includes premiums on reacquired debt and preferred stock.
- Adjusted Debt Ratio includes Palo Verde Unit #2 sale/leaseback and imputed debt on purchased power agreements. Beginning December 2004 APS included purchased power agreements to the adjusted debt ratio.
- Non-cash income is defined as Capitalized Interest and AFUDC Equity.
- Amortization of \$183 million present value stranded revenue disallowance is included in adjustment starting with 9/99 financial results.
- Excludes Competitive Energy Trading and Purchases For Resale.

ARIZONA PUBLIC SERVICE COMPANY

Return on Average Common Equity,
Adjusted Return on Average Equity, and
Adjusted Return on Avg. Equity Excl. - Comp. Energy Trading & Purch. For Resale

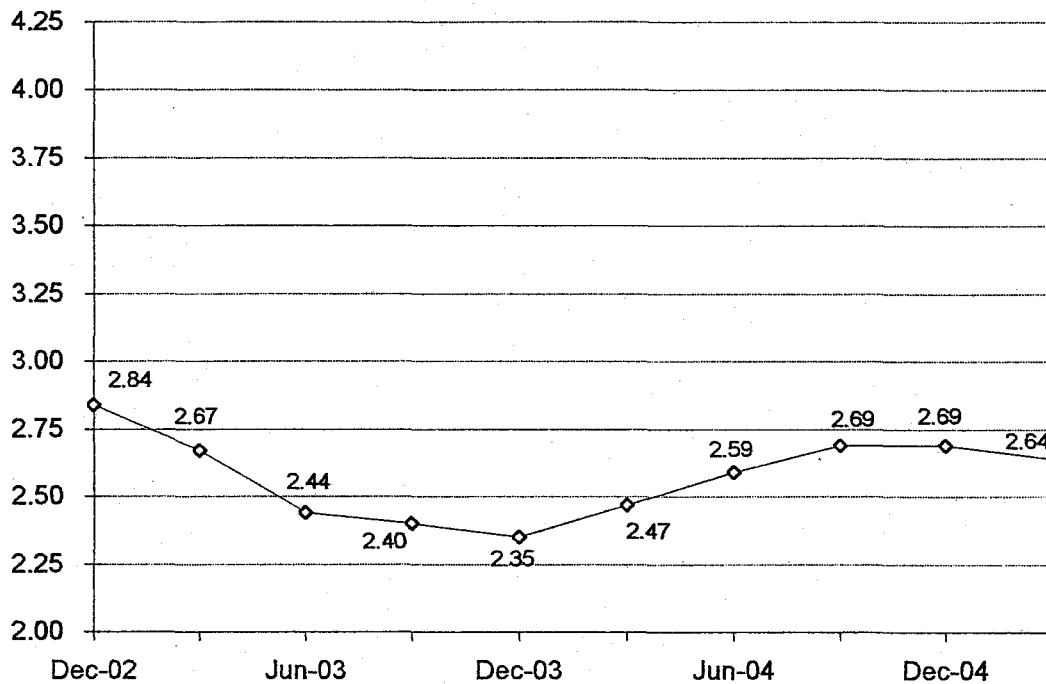


Non-Cash Income as a % of Earnings

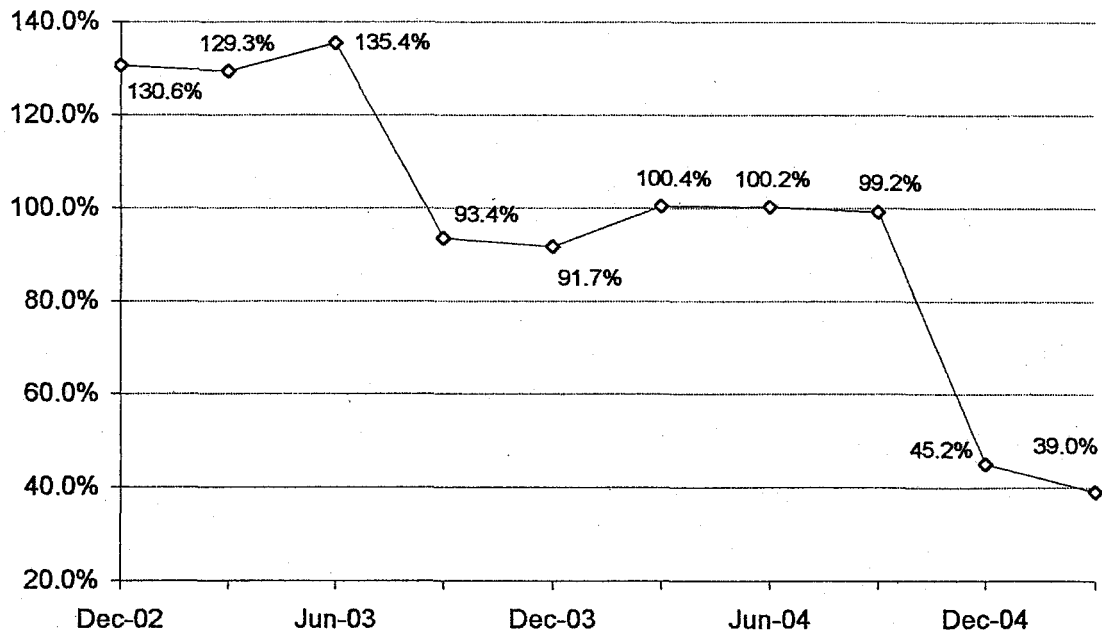


ARIZONA PUBLIC SERVICE COMPANY

Fixed Charge Coverage Before Taxes Excluding Non-Cash Income



Net Cash Flow Excluding Non-Cash Income as a % of Capital Expenditures





Justin H. Thompson
Manager
Regulation, Policy & Analysis

Tel 602/250-2060
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E-Mail: Justin.Thompson@aps.com
<http://www.aps.com>

Mail Station 9908
P.O. Box 53999
Phoenix, AZ 85072-3999

March 28, 2005

RECEIVED

MAR 28 2005

AZ Corporation Commission
Director Of Utilities

Mr. Ernest Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

RE: APS FINANCIAL REPORT
FOURTH QUARTER ENDING DECEMBER 31, 2004

Dear Mr. Johnson:

Attached are the Fourth Quarter Financial Results and associated graphs for Arizona Public Service Company for the quarter ending December 31, 2004.

If you have any questions regarding this filing, please contact me at (602) 250-2060.

Sincerely,

Justin H. Thompson
Manager
Regulation, Policy & Analysis

JHT/jd

Attachment

CC: Brian Bozzo
Compliance and Enforcement

ARIZONA PUBLIC SERVICE COMPANY

2004 ACTUAL FINANCIAL RESULTS
(DOLLARS IN MILLIONS)

	2003	2004
	Yr End	Yr End
Short-Term Debt	\$0.0	\$0.0
Cash & Cash Equivalents	112.0	230.8
FINANCING:		
Long-Term Debt	500.0	479.0
Preferred Stock	0.0	0.0
Subtotal	500.0	479.0
Change in S-T Debt	0.0	0.0
Total	\$500.0	\$479.0

Repayments and Reacquisitions (a)	\$89.5	(\$384.6)	(\$0.6)	(\$0.3)	(\$0.4)	(\$385.9)
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CAPITALIZATION RATIOS:

Long-Term Debt (Including Current Maturities)	54.3%	52.0%	54.9%	54.2%	54.9%	54.9%
Short-Term Debt	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%
Total Debt	54.3%	52.5%	54.9%	54.2%	54.9%	54.9%
Preferred Stock	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Common Equity	45.7%	47.5%	45.1%	45.8%	45.1%	45.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Adjusted Debt Ratio (b)	57.7%	56.1%	58.0%	57.3%	58.7%	58.7%
Non-Cash Income % Earnings (c) (d)	26.0%	22.9%	21.3%	18.6%	19.4%	19.4%
Net Cash Flow excl. Non-Cash Inc.	91.7%	100.4%	100.2%	99.2%	45.2%	45.2%
% of Capital Expenditures (c)						

TIMES EARNED COVERAGES:

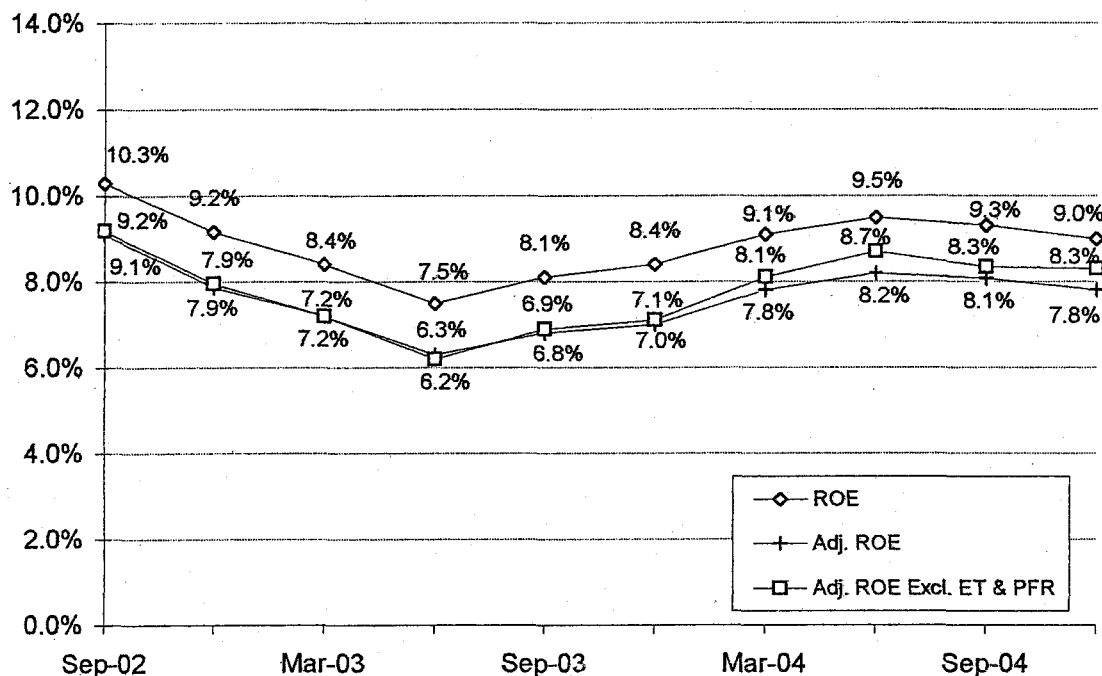
Before Tax	2.47	2.58	2.70	2.76	2.76	2.76
Before Tax excl. Non-Cash Inc. (c)	2.35	2.47	2.59	2.69	2.69	2.69
After Tax Incl. Preferred Div.	1.99	2.06	2.14	2.13	2.10	2.10
Return on Average Equity	8.4%	9.1%	9.5%	9.3%	9.0%	9.0%
Adjusted Return on Average Equity (d)	7.0%	7.8%	8.2%	8.1%	7.8%	7.8%
Adj. Return on Avg. Equity Excl E.T. & P.F.R. (d) (e)	7.1%	8.1%	8.7%	8.3%	8.3%	8.3%
Return on Avg. Total Capital	7.1%	7.5%	7.6%	7.4%	7.3%	7.3%

NOTES:

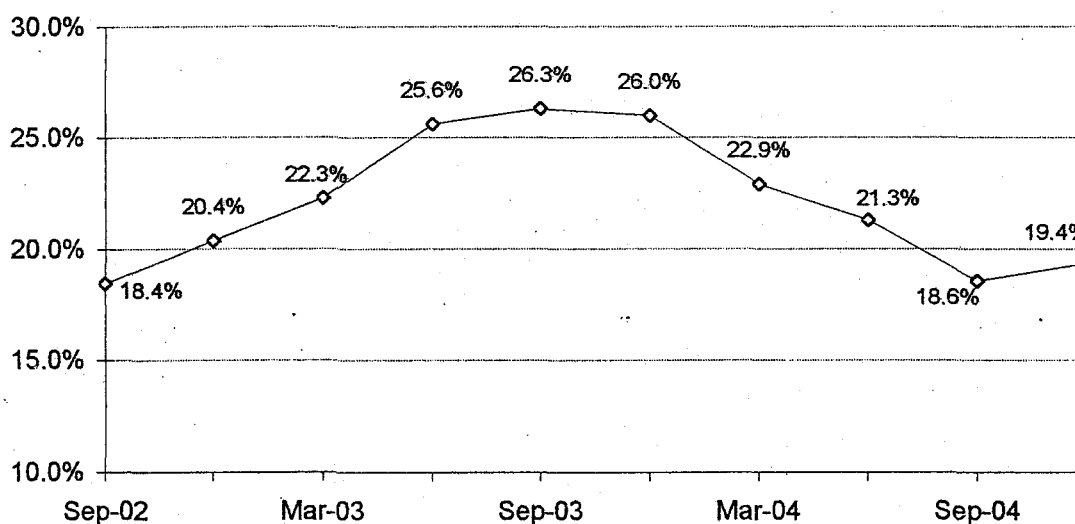
- Includes premiums on reacquired debt and preferred stock.
- Adjusted Debt Ratio includes Palo Verde Unit #2 sale/leaseback and imputed debt on purchased power agreements. Beginning December 2004 APS included purchased power agreements to the adjusted debt ratio.
- Non-cash income is defined as Capitalized Interest and AFUDC Equity.
- Amortization of \$183 million present value stranded revenue disallowance is included in adjustment starting with 9/99 financial results.
- Excludes Competitive Energy Trading and Purchases For Resale.

ARIZONA PUBLIC SERVICE COMPANY

Return on Average Common Equity,
Adjusted Return on Average Equity, and
Adjusted Return on Avg. Equity Excl. - Comp. Energy Trading and Purch. For Resale*



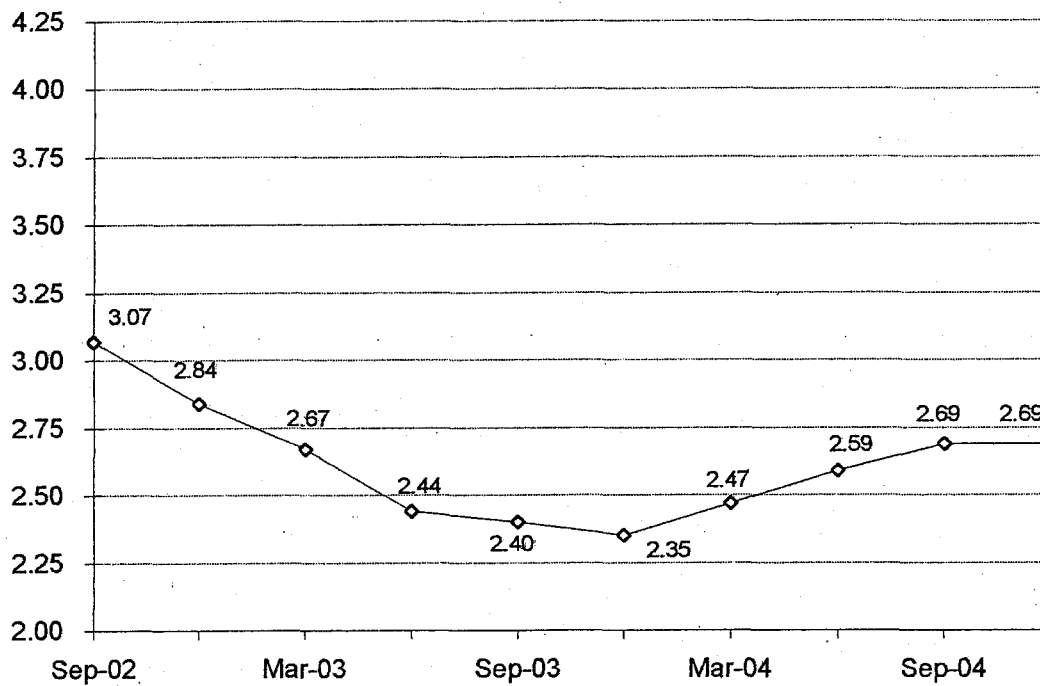
Non-Cash Income as a % of Earnings *



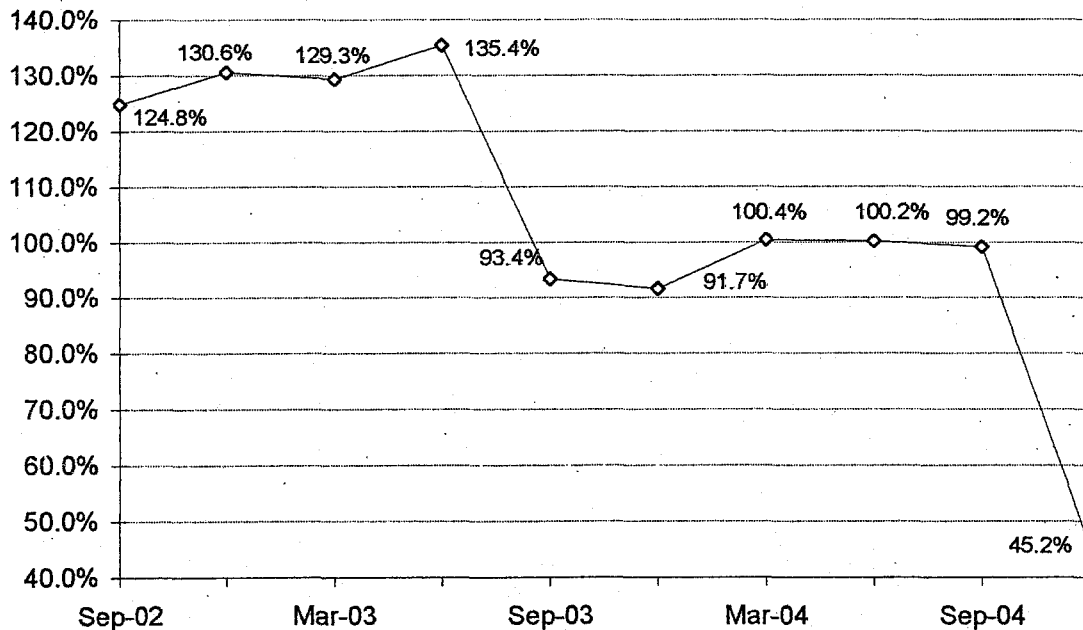
* See notes on Financial Results page for explanation of calculations.

ARIZONA PUBLIC SERVICE COMPANY

Fixed Charge Coverage Before Taxes Excluding Non-Cash Income *



Net Cash Flow Excluding Non-Cash Income as a % of Capital Expenditures *



* See notes on Financial Results page for explanation of calculations.



Jana Van Ness
Manager
Regulatory Affairs

Tel 602/250-2310
Fax 602/250-3003
E-Mail: Jana.VanNess@aps.com
<http://www.aps.com>

Mail Station 9908
P.O. Box 53999
Phoenix, AZ 85072-3999

November 30, 2004

RECEIVED

NOV 30 2004

Mr. Ernest Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

AZ Corporation Commission
Director Of Utilities

RE: APS FINANCIAL REPORT
THIRD QUARTER ENDING SEPTEMBER 30, 2004

Dear Mr. Johnson:

Attached are the Third Quarter Financial Results and associated graphs for Arizona Public Service Company for the quarter ending September 30, 2004.

If you have any questions regarding this filing, please contact me at (602) 250-2310.

Sincerely,

Jana Van Ness
Manager
Regulatory Affairs

JVN/srm

Attachment

CC: Brian Bozzo
Compliance and Enforcement

ARIZONA PUBLIC SERVICE COMPANY

2004 ACTUAL FINANCIAL RESULTS
(DOLLARS IN MILLIONS)

	2003	2004
	Yr End	Yr End
Short-Term Debt	\$0.0	\$0.0
Cash & Cash Equivalents	112.0	0.0
FINANCING:		
Long-Term Debt	500.0	0.0
Preferred Stock	0.0	0.0
Subtotal	500.0	0.0
Change in S-T Debt	0.0	0.0
Total	\$500.0	\$0.0

Repayments and Reacquisitions (a)	\$89.5	(\$0.6)	(\$0.3)	\$0.0	\$0.0
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CAPITALIZATION RATIOS:

Long-Term Debt (Including Current Maturities)	54.3%	52.0%	54.9%	54.2%	0.0%	0.0%
Short-Term Debt	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%
Total Debt	54.3%	52.5%	54.9%	54.2%	0.0%	0.0%
Preferred Stock	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Common Equity	45.7%	47.5%	45.1%	45.8%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	0.0%	0.0%

Adjusted Debt Ratio (b)	57.7%	56.1%	58.0%	57.3%	0.0%	0.0%
Non-Cash Income % Earnings (d) (e)	26.0%	22.9%	21.3%	18.6%	0.0%	0.0%
Net Cash Flow excl. Non-Cash Inc. % of Capital Expenditures (d)	91.7%	100.4%	100.2%	99.2%	0.0%	0.0%

TIMES EARNED COVERAGES:

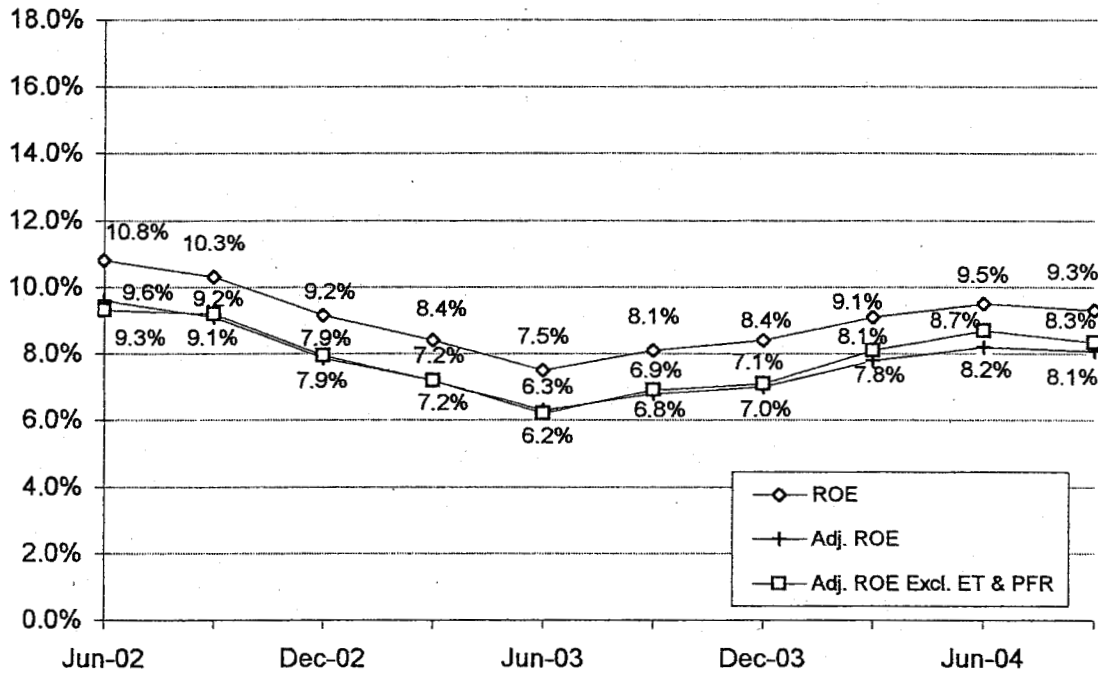
Before Tax	2.47	2.58	2.70	2.76	0.00	0
Before Tax excl. Non-Cash Inc. (d)	2.35	2.47	2.59	2.69	0.00	0
After Tax Incl. Preferred Div.	1.99	2.06	2.14	2.13	0.00	0
Return on Average Equity	8.4%	9.1%	9.5%	9.3%	0.0%	0.0%
Adjusted Return on Average Equity (e)	7.0%	7.8%	8.2%	8.1%	0.0%	0.0%
Adj. Return on Avg. Equity Excl E.T. & P.F.R. (e) (f)	7.1%	8.1%	8.7%	8.3%	0.0%	0.0%
Return on Avg. Total Capital	7.1%	7.5%	7.6%	7.4%	0.0%	0.0%

NOTES:

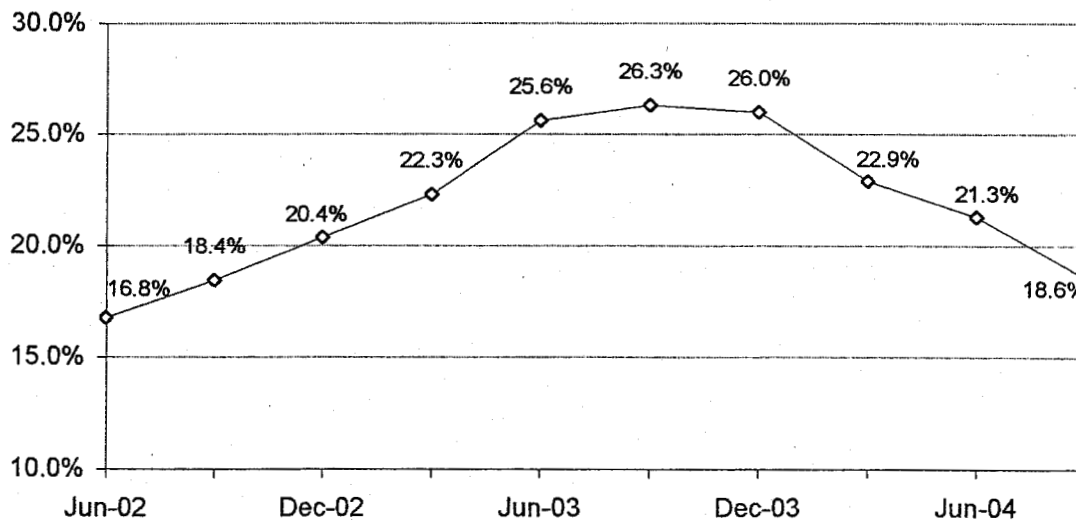
- (a) Includes premiums on reacquired debt and preferred stock
- (b) Adjusted Debt Ratio includes Palo Verde Unit #2 sale/leaseback
- (d) Non-cash income is defined as Capitalized Interest and accelerated portion of ITC (beginning in 1/95).
- (e) Amortization of \$183 million present value stranded revenue disallowance is included in adjustment starting with 9/99 financial results.
- (f) Excludes Competitive Energy Trading and Purchases For Resale

ARIZONA PUBLIC SERVICE COMPANY

Return on Average Common Equity,
Adjusted Return on Average Equity, and
Adjusted Return on Avg. Equity Excl. - Comp. Energy Trading & Purch. For Resale*



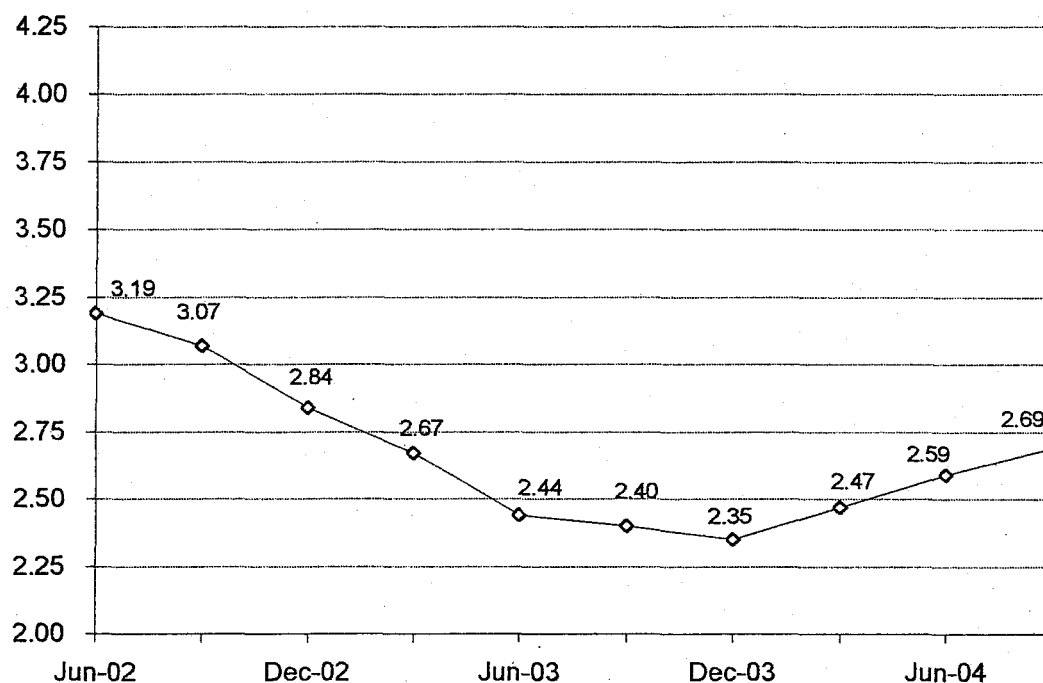
Non-Cash Income as a % of Earnings *



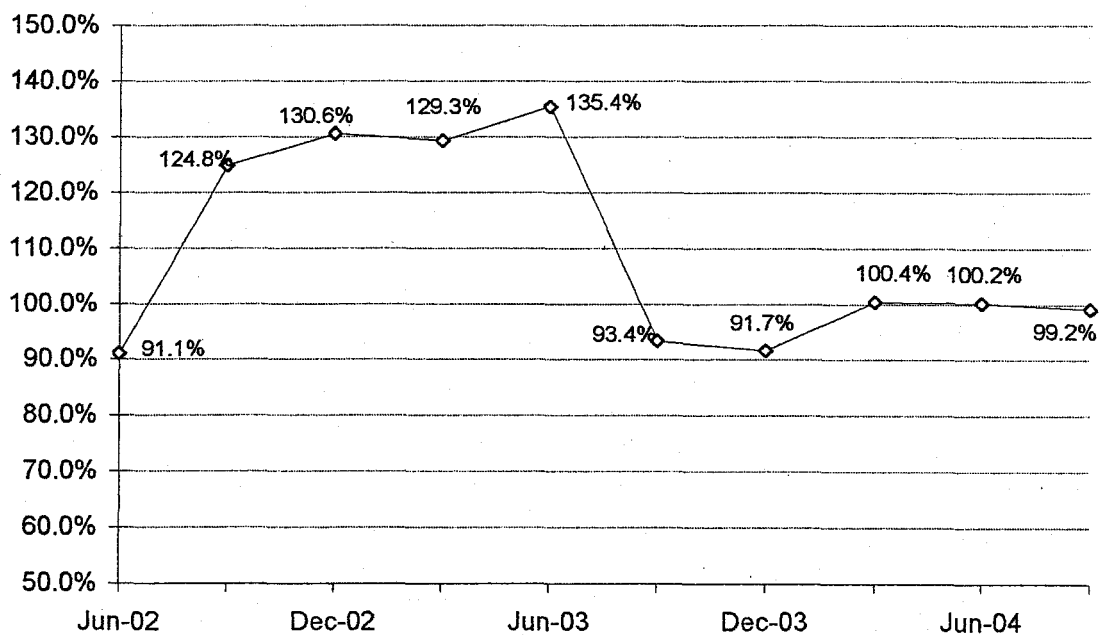
* See notes on Financial Results page for explanation of calculations.

ARIZONA PUBLIC SERVICE COMPANY

Fixed Charge Coverage Before Taxes Excluding Non-Cash Income *



Net Cash Flow Excluding Non-Cash Income as a % of Capital Expenditures *



* See notes on Financial Results page for explanation of calculations.



Jana Van Ness
Manager
Regulatory Compliance

Tel 602/250-2310
Fax 602/250-3003
E-Mail: Jana.VanNess@aps.com
<http://www.apsc.com>

Mail Station 9908
P.O. Box 53999
Phoenix, AZ 85072-3999

August 27, 2004

Mr. Ernest Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

RECEIVED

AUG 27 2004

ARIZONA CORPORATION COMMISSION
DIRECTOR OF UTILITIES

RE: APS FINANCIAL REPORT
SECOND QUARTER ENDING JUNE 30, 2004

Dear Mr. Johnson:

Attached are the Second Quarter Financial Results and associated graphs for Arizona Public Service Company for the quarter ending June 30, 2004.

If you have any questions regarding this filing, please contact me at (602) 250-2310.

Sincerely,

Jana Van Ness
Manager
Regulatory Compliance

JVN/vld

Attachment

ARIZONA PUBLIC SERVICE COMPANY
2004 ACTUAL FINANCIAL RESULTS
(DOLLARS IN MILLIONS)

	2003	2004			
	Yr End	Q1	Q2	Q3	Q4
Short-Term Debt	\$0.0	\$25.2	\$0.0	\$0.0	\$0.0
Cash & Cash Equivalents	112.0	0.0	243.9	0.0	0.0
FINANCING:					
Long-Term Debt	500.0	179.0	300.0	0.0	0.0
Preferred Stock	0.0	0.0	0.0	0.0	0.0
Subtotal	500.0	179.0	300.0	0.0	0.0
Change in S-T Debt	0.0	25.2	(25.2)	0.0	0.0
Total	\$500.0	\$204.2	\$274.8	\$0.0	\$0.0

Repayments and Reacquisitions (a)	\$89.5	(\$384.6)	(\$0.6)	\$0.0	\$0.0
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CAPITALIZATION RATIOS:

Long-Term Debt (Including Current Maturities)	54.3%	52.0%	54.9%	0.0%	0.0%
Short-Term Debt	0.0%	0.5%	0.0%	0.0%	0.0%
Total Debt	54.3%	52.5%	54.9%	0.0%	0.0%
Preferred Stock	0.0%	0.0%	0.0%	0.0%	0.0%
Common Equity	45.7%	47.5%	45.1%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	0.0%	0.0%

Adjusted Debt Ratio (b)	57.7%	56.1%	58.0%	0.0%	0.0%
Non-Cash Income % Earnings (d) (e)	26.0%	22.9%	21.3%	0.0%	0.0%
Net Cash Flow excl. Non-Cash Inc.	91.7%	100.4%	100.2%	0.0%	0.0%
% of Capital Expenditures (d)					

TIMES EARNED COVERAGES:

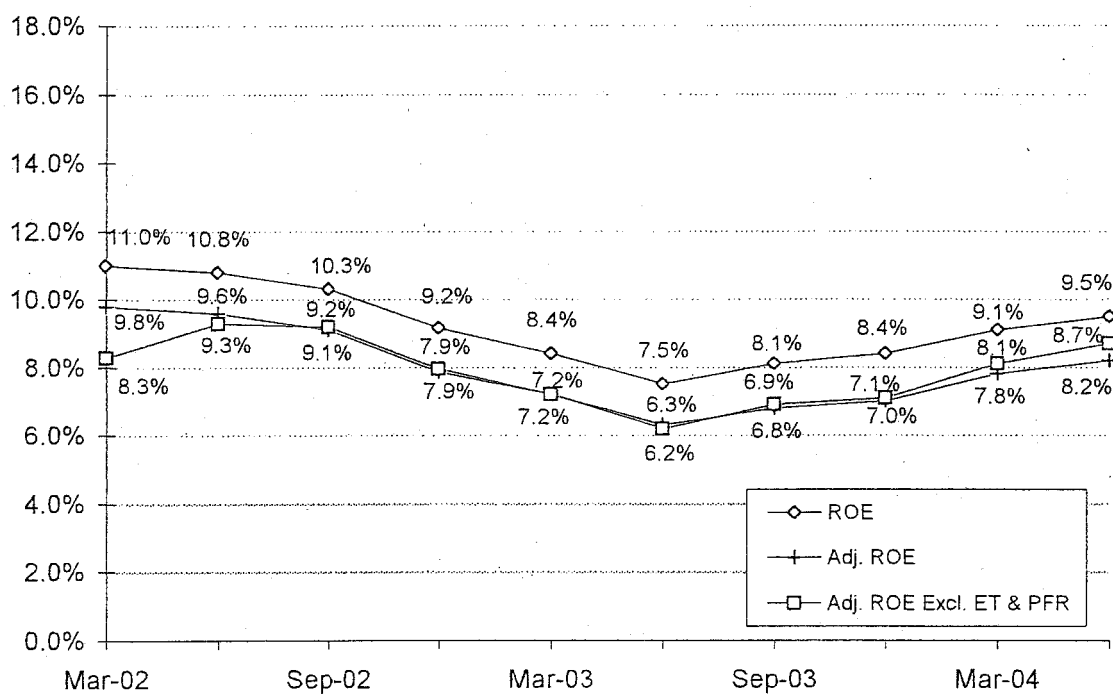
Before Tax	2.47	2.58	2.70	0.00	0
Before Tax excl. Non-Cash Inc. (d)	2.35	2.47	2.59	0.00	0
After Tax Incl. Preferred Div.	1.99	2.06	2.14	0.00	0
Return on Average Equity	8.4%	9.1%	9.5%	0.0%	0.0%
Adjusted Return on Average Equity (e)	7.0%	7.8%	8.2%	0.0%	0.0%
Adj. Return on Avg. Equity Excl E.T. & P.F.R. (e) (f)	7.1%	8.1%	8.7%	0.0%	0.0%
Return on Avg. Total Capital	7.1%	7.5%	7.6%	0.0%	0.0%

NOTES:

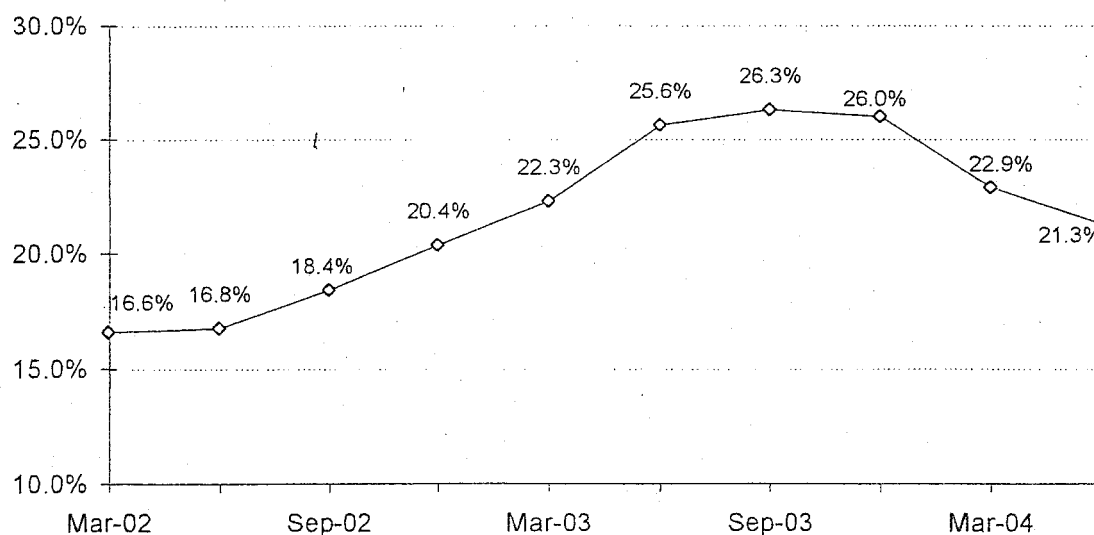
- (a) Includes premiums on reacquired debt and preferred stock
- (b) Adjusted Debt Ratio includes Palo Verde Unit #2 sale/leaseback
- (d) Non-cash income is defined as Capitalized Interest and accelerated portion of ITC (beginning in 1/95).
- (e) Amortization of \$183 million present value stranded revenue disallowance is included in adjustment starting with 9/99 financial results.
- (f) Excludes Competitive Energy Trading and Purchases For Resale

ARIZONA PUBLIC SERVICE COMPANY

Return on Average Common Equity,
Adjusted Return on Average Equity, and
Adjusted Return on Avg. Equity Excl. - Comp. Energy Trading & Purch. For Resale*



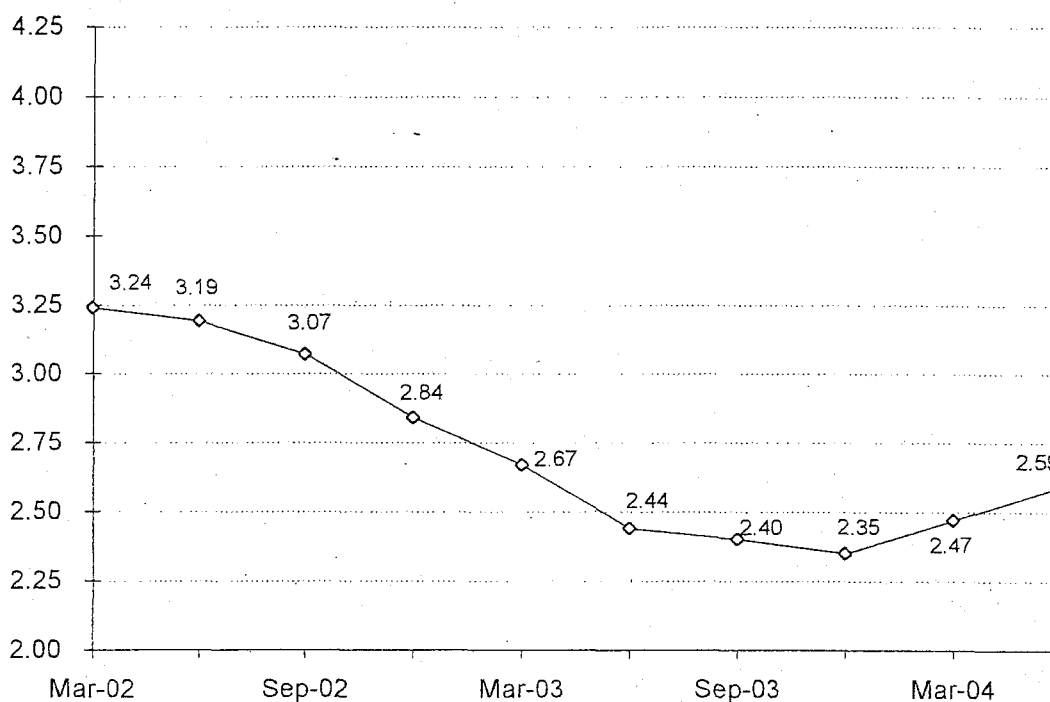
Non-Cash Income as a % of Earnings *



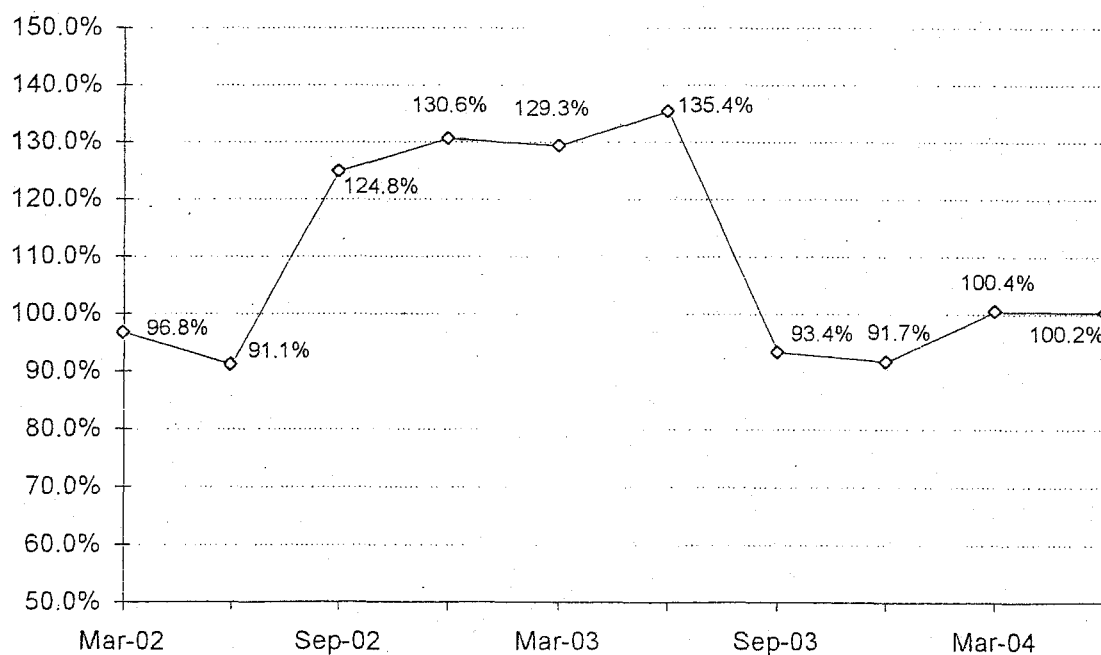
* See notes on Financial Results page for explanation of calculations.

ARIZONA PUBLIC SERVICE COMPANY

Fixed Charge Coverage Before Taxes Excluding Non-Cash Income *



Net Cash Flow Excluding Non-Cash Income as a % of Capital Expenditures *



* See notes on Financial Results page for explanation of calculations.



Jana Van Ness
Manager
Regulatory Compliance

Tel 602/250-2310
Fax 602/250-3003
E-Mail: Jana.VanNess@aps.com
<http://www.aps.com>

Mail Station 9908
P.O. Box 53999
Phoenix, AZ 85072-3999

May 28, 2004

MAY 28 2004

Mr. Ernest Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

RE: APS FINANCIAL REPORT
FIRST QUARTER ENDING MARCH 31, 2004

Dear Mr. Johnson:

Attached are the First Quarter Financial Results and associated graphs for Arizona Public Service Company for the quarter ending March 31, 2004.

If you have any questions regarding this filing, please contact me at (602) 250-2310.

Sincerely,

A handwritten signature in black ink, reading "Jana Van Ness". The signature is written in a cursive, flowing style.

Jana Van Ness
Manager
Regulatory Compliance

JVN/srm

Attachment

ARIZONA PUBLIC SERVICE COMPANY
2004 ACTUAL FINANCIAL RESULTS
(DOLLARS IN MILLIONS)

	2003		2004		
	Yr End	Q1	Q2	Q3	Yr End
Short-Term Debt	\$0.0	\$25.2	\$0.0	\$0.0	\$0.0
Cash & Cash Equivalents	112.0	0.0	0.0	0.0	0.0
FINANCING:					
Long-Term Debt	500.0	179.0	0.0	0.0	0.0
Preferred Stock	0.0	0.0	0.0	0.0	0.0
Subtotal	500.0	179.0	0.0	0.0	0.0
Change in S-T Debt	0.0	25.2	0.0	0.0	0.0
Total	\$500.0	\$204.2	\$0.0	\$0.0	\$0.0

Repayments and Recapitalizations (a)

	\$89.5	(\$384.6)	\$0.0	\$0.0	\$0.0
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CAPITALIZATION RATIOS:

Long-Term Debt (Including Current Maturities)	54.3%	52.0%	0.0%	0.0%	0.0%
Short-Term Debt	0.0%	0.5%	0.0%	0.0%	0.0%
Total Debt	54.3%	52.5%	0.0%	0.0%	0.0%
Preferred Stock	0.0%	0.0%	0.0%	0.0%	0.0%
Common Equity	45.7%	47.5%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	0.0%	0.0%	0.0%

Adjusted Debt Ratio (b)

	57.7%	56.1%	0.0%	0.0%	0.0%
--	-------	-------	------	------	------

Non-Cash Income % Earnings (d) (e)

	26.0%	22.9%	0.0%	0.0%	0.0%
--	-------	-------	------	------	------

Net Cash Flow excl. Non-Cash Inc.

	91.7%	100.4%	0.0%	0.0%	0.0%
--	-------	--------	------	------	------

% of Capital Expenditures (d)

TIMES EARNED COVERAGES:

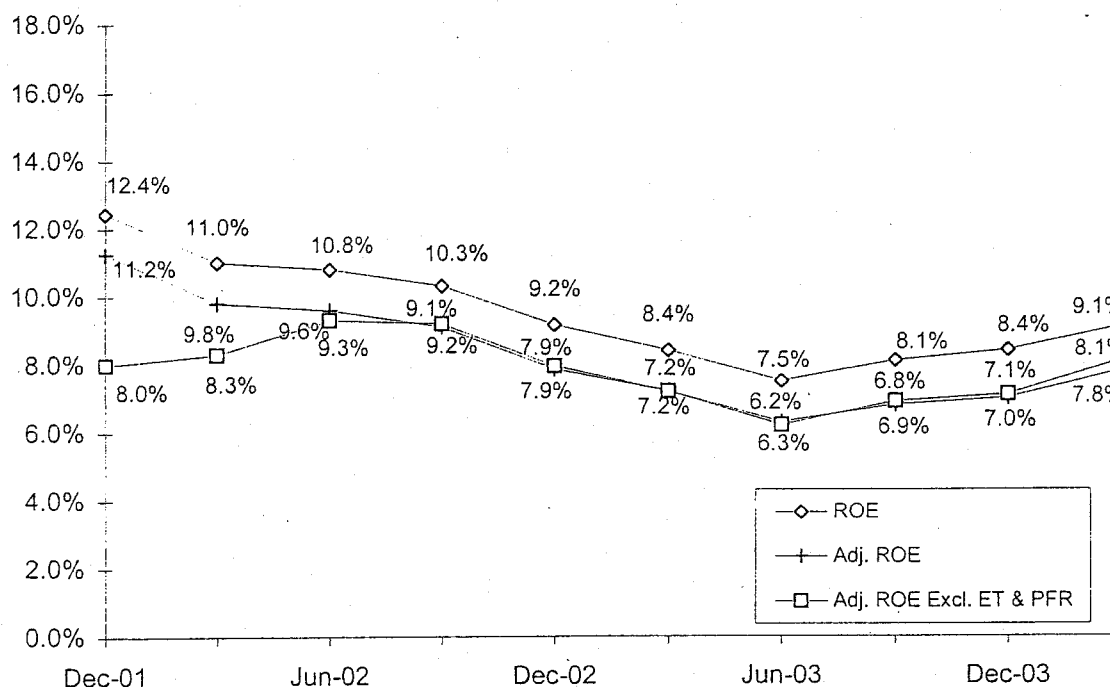
Before Tax	2.47	2.58	0.00	0.00	0
Before Tax excl. Non-Cash Inc. (d)	2.35	2.47	0.00	0.00	0
After Tax Incl. Preferred Div.	1.99	2.06	0.00	0.00	0
Return on Average Equity	8.4%	9.1%	0.0%	0.0%	0.0%
Adjusted Return on Average Equity (e)	7.0%	7.8%	0.0%	0.0%	0.0%
Adj. Return on Avg. Equity Excl E.T. & P.F.R. (e) (f)	7.1%	8.1%	0.0%	0.0%	0.0%
Return on Avg. Total Capital	7.1%	7.5%	0.0%	0.0%	0.0%

NOTES:

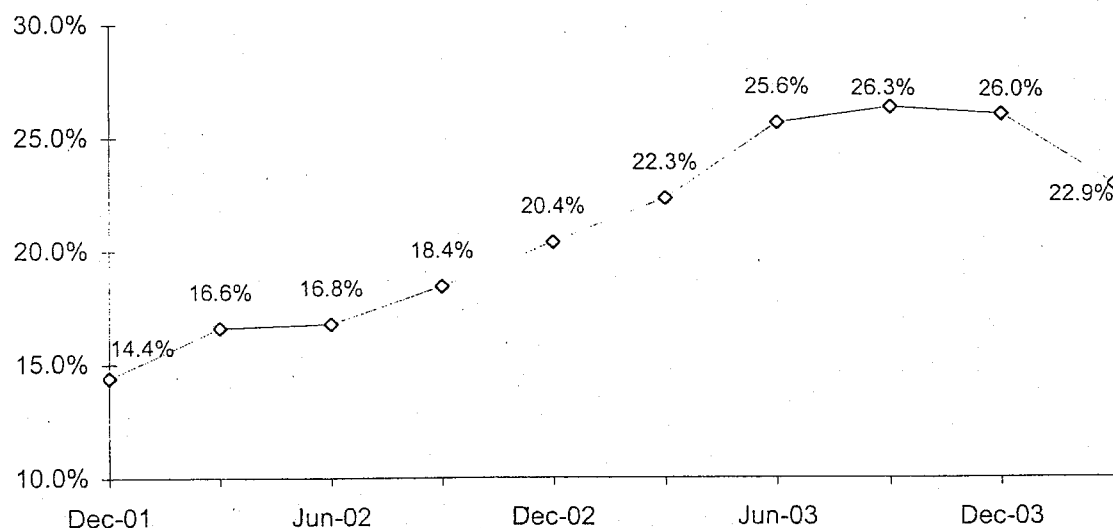
- (a) Includes premiums on reacquired debt and preferred stock
- (b) Adjusted Debt Ratio includes Palo Verde Unit #2 sale/leaseback
- (d) Non-cash income is defined as Capitalized Interest and accelerated portion of ITC (beginning in 1/95).
- (e) Amortization of \$183 million present value stranded revenue disallowance is included in adjustment starting with 9/99 financial results.
- (f) Excludes Competitive Energy Trading and Purchases For Resale

ARIZONA PUBLIC SERVICE COMPANY

Return on Average Common Equity,
Adjusted Return on Average Equity, and
Adjusted Return on Avg. Equity Excl. - Comp. Energy Trading & Purch. For Resale*



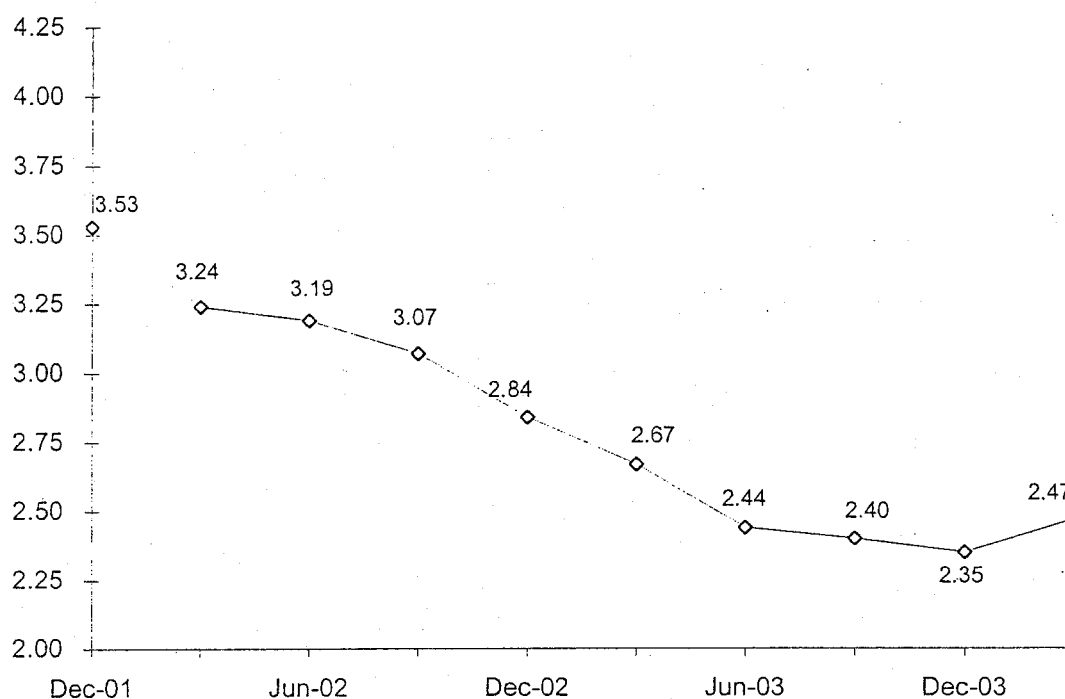
Non-Cash Income as a % of Earnings *



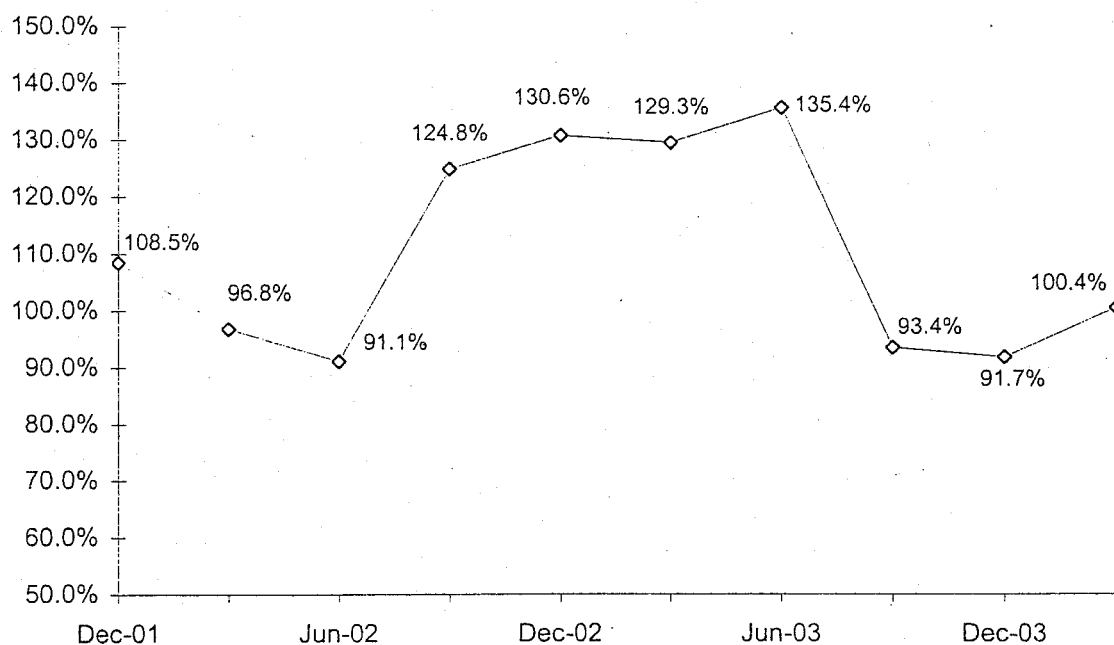
* See notes on Financial Results page for explanation of calculations.

ARIZONA PUBLIC SERVICE COMPANY

Fixed Charge Coverage Before Taxes Excluding Non-Cash Income *



Net Cash Flow Excluding Non-Cash Income as a % of Capital Expenditures *



• See notes on Financial Results page for explanation of calculations.



Jana Van Ness
Manager
Regulatory Compliance

Tel 602/250-2310
Fax 602/250-3003
E-Mail: Jana.VanNess@aps.com
<http://www.aps.com>

Mail Station 9908
P.O. Box 53999
Phoenix, AZ 85072-3999

March 31, 2004

Mr. Ernest Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

RECEIVED

MAR 31 2004

AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

RE: APS FINANCIAL REPORT
FOURTH QUARTER ENDING DECEMBER 31, 2003

Dear Mr. Johnson:

Attached are the Fourth Quarter Financial Results and associated graphs for Arizona Public Service Company for the quarter ending December 31, 2003.

If you have any questions regarding this filing, please contact me at (602)250-2310.

Sincerely,

Jana Van Ness
Manager
Regulatory Compliance

JVN/srm

Attachment

ARIZONA PUBLIC SERVICE COMPANY

2003 ACTUAL FINANCIAL RESULTS
(DOLLARS IN MILLIONS)

	2002				2003	
	Yr End	Q1	Q2	Q3	Q4	Yr End
Short-Term Debt	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cash & Cash Equivalents	42.5	31.8	63.3	161.2	112.0	112.0
FINANCING:						
Long-Term Debt	465.0	0.0	500.0	0.0	0.0	500.0
Preferred Stock	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal	465.0	0.0	500.0	0.0	0.0	500.0
Change in S-T Debt	(171.2)	0.0	0.0	0.0	0.0	0.0
Total	\$293.8	\$0.0	\$500.0	\$0.0	\$0.0	\$500.0

Repayments and Reacquisitions (a) \$337.1 \$0.7 \$33.7 \$54.8 \$0.3 \$89.5

CAPITALIZATION RATIOS:

Long-Term Debt (Including Current Maturities)	50.7%	50.9%	55.5%	54.3%	54.3%	54.3%
Short-Term Debt	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Debt	50.7%	50.9%	55.5%	54.3%	54.3%	54.3%
Preferred Stock	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Common Equity	49.3%	49.1%	44.5%	45.7%	45.7%	45.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Adjusted Debt Ratio (b)	54.9%	55.1%	58.8%	57.6%	57.7%	57.7%
Non-Cash Income % Earnings (d) (e)	20.4%	22.3%	25.6%	26.3%	26.0%	26.0%
Net Cash Flow excl. Non-Cash Inc.						
% of Capital Expenditures (d)	130.6%	129.3%	135.4%	93.4%	91.7%	91.7%

TIMES EARNED COVERAGES:

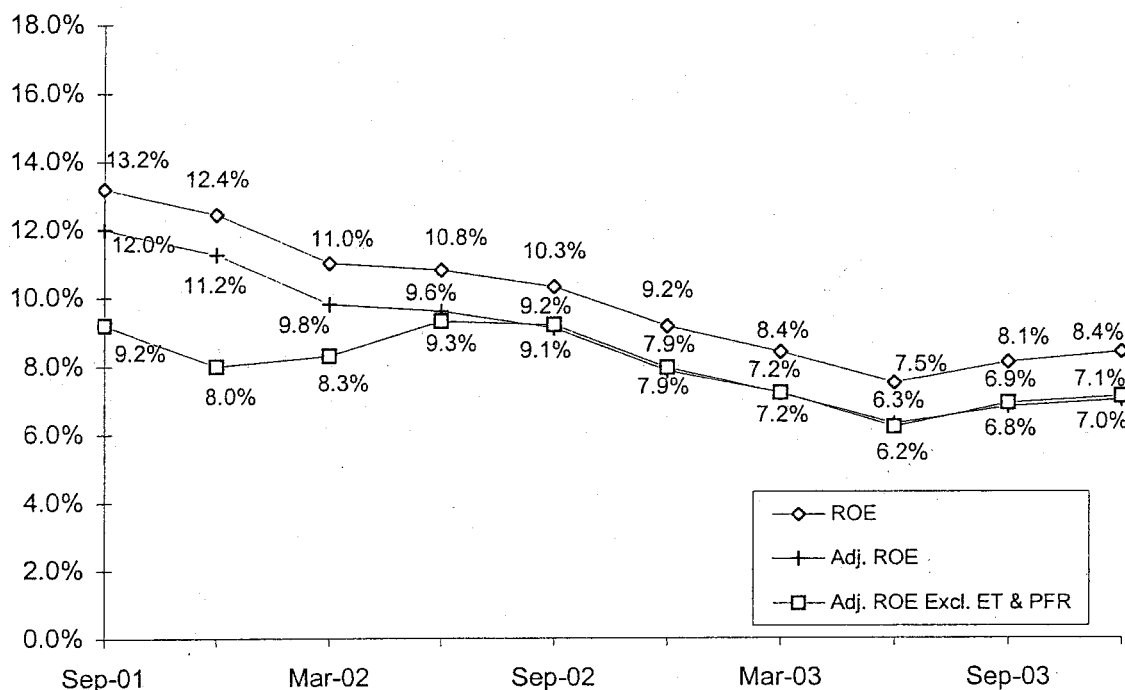
Before Tax	2.93	2.76	2.53	2.51	2.47	2.47
Before Tax excl. Non-Cash Inc. (d)	2.84	2.67	2.44	2.40	2.35	2.35
After Tax Incl. Preferred Div.	2.17	2.07	1.93	1.99	1.99	1.99
Return on Average Equity	9.2%	8.4%	7.5%	8.1%	8.4%	8.4%
Adjusted Return on Average Equity (e)	7.9%	7.2%	6.3%	6.8%	7.0%	7.0%
Adj. Return on Avg. Equity Excl E.T. & P.F.R. (e) (f)	7.9%	7.2%	6.2%	6.9%	7.1%	7.1%
Return on Avg. Total Capital	7.6%	7.3%	6.8%	7.1%	7.1%	7.1%

NOTES:

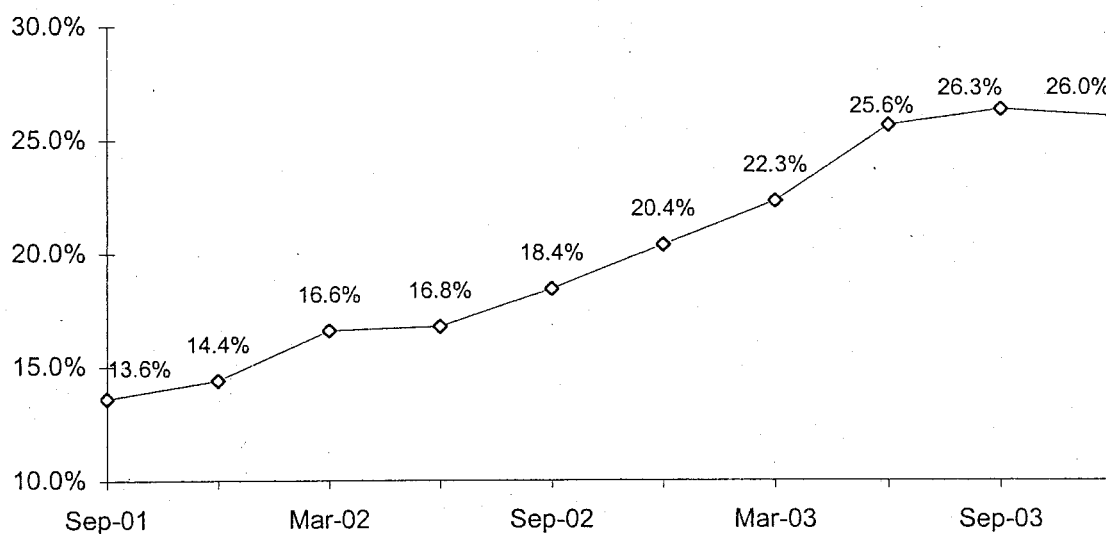
- (a) Includes premiums on reacquired debt and preferred stock
- (b) Adjusted Debt Ratio includes Palo Verde Unit #2 sale/leaseback
- (d) Non-cash income is defined as Capitalized Interest and accelerated portion of ITC (beginning in 1/95).
- (e) Amortization of \$183 million present value stranded revenue disallowance is included in adjustment starting with 9/99 financial results.
- (f) Excludes Competitive Energy Trading and Purchases For Resale

ARIZONA PUBLIC SERVICE COMPANY

Return on Average Common Equity,
Adjusted Return on Average Equity, and
Adjusted Return on Avg. Equity Excl. - Comp. Energy Trading & Purch. For Resale*



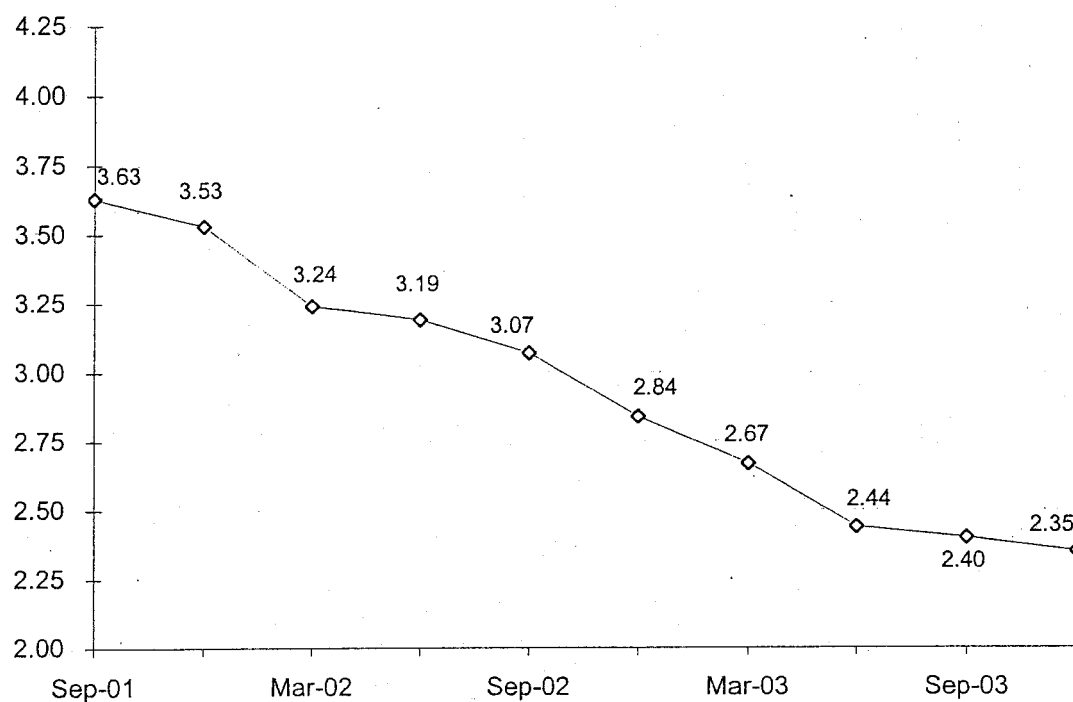
Non-Cash Income as a % of Earnings *



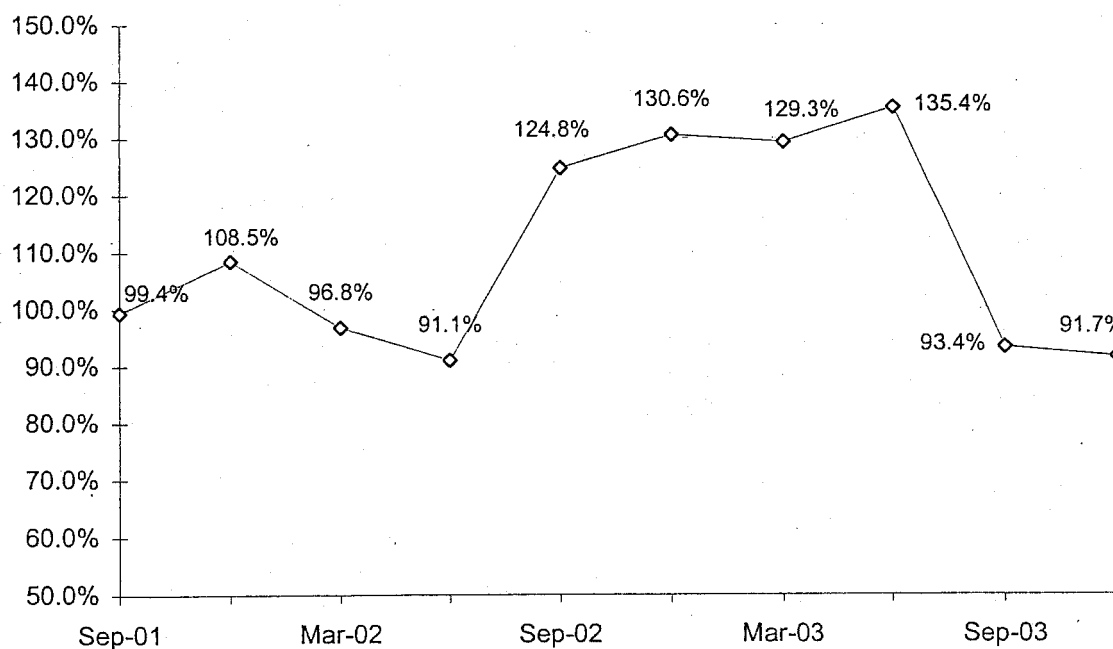
* See notes on Financial Results page for explanation of calculations.

ARIZONA PUBLIC SERVICE COMPANY

Fixed Charge Coverage Before Taxes Excluding Non-Cash Income *



Net Cash Flow Excluding Non-Cash Income as a % of Capital Expenditures *



* See notes on Financial Results page for explanation of calculations.



Jana Van Ness
Manager
Regulatory Compliance

Tel 602/250-2310
Fax 602/250-3003
E-Mail: Jana.VanNess@aps.com
<http://www.apsc.com>

Mail Station 9908
P.O. Box 53999
Phoenix, AZ 85072-3999

November 26, 2003

RECEIVED

NOV 26 2003

Mr. Ernest Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

**ARIZONA CORPORATION COMMISSION
DIRECTOR OF UTILITIES**

RE: APS FINANCIAL REPORT
SECOND QUARTER ENDING SEPTEMBER 30, 2003

Dear Mr. Johnson:

Attached are the Third Quarter Financial Results and associated graphs for Arizona Public Service Company for the quarter ending September 30, 2003.

If you have any questions regarding this filing, please contact me at (602)250-2310.

Sincerely,

Jana Van Ness
Manager
Regulatory Compliance

JVN/srm

Attachment

Cc: John Thornton
Chief of Accounting & Rates

ARIZONA PUBLIC SERVICE COMPANY

2003 ACTUAL FINANCIAL RESULTS
(DOLLARS IN MILLIONS)

	2002	2003			
	Yr End	Q1	Q2	Q3	Yr End
Short-Term Debt	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cash & Cash Equivalents	42.5	31.8	63.3	161.2	0.0
FINANCING:					
Long-Term Debt	465.0	0.0	500.0	0.0	0.0
Preferred Stock	0.0	0.0	0.0	0.0	0.0
Subtotal	465.0	0.0	500.0	0.0	0.0
Change in S-T Debt	(171.2)	0.0	0.0	0.0	0.0
Total	\$293.8	\$0.0	\$500.0	\$0.0	\$0.0

Repayments and Reacquisitions (a)	\$337.1	\$0.7	\$33.7	\$54.8	\$0.0
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CAPITALIZATION RATIOS:

Long-Term Debt (Including Current Maturities)	50.7%	50.9%	55.5%	54.3%	0.0%
Short-Term Debt	0.0%	0.0%	0.0%	0.0%	0.0%
Total Debt	50.7%	50.9%	55.5%	54.3%	0.0%
Preferred Stock	0.0%	0.0%	0.0%	0.0%	0.0%
Common Equity	49.3%	49.1%	44.5%	45.7%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	0.0%

Adjusted Debt Ratio (b)	54.9%	55.1%	58.8%	57.6%	0.0%
Non-Cash Income % Earnings (d) (e)	20.4%	22.3%	25.6%	26.3%	0.0%
Net Cash Flow excl. Non-Cash Inc.	130.6%	129.3%	135.4%	93.4%	0.0%
% of Capital Expenditures (d)					

TIMES EARNED COVERAGES:

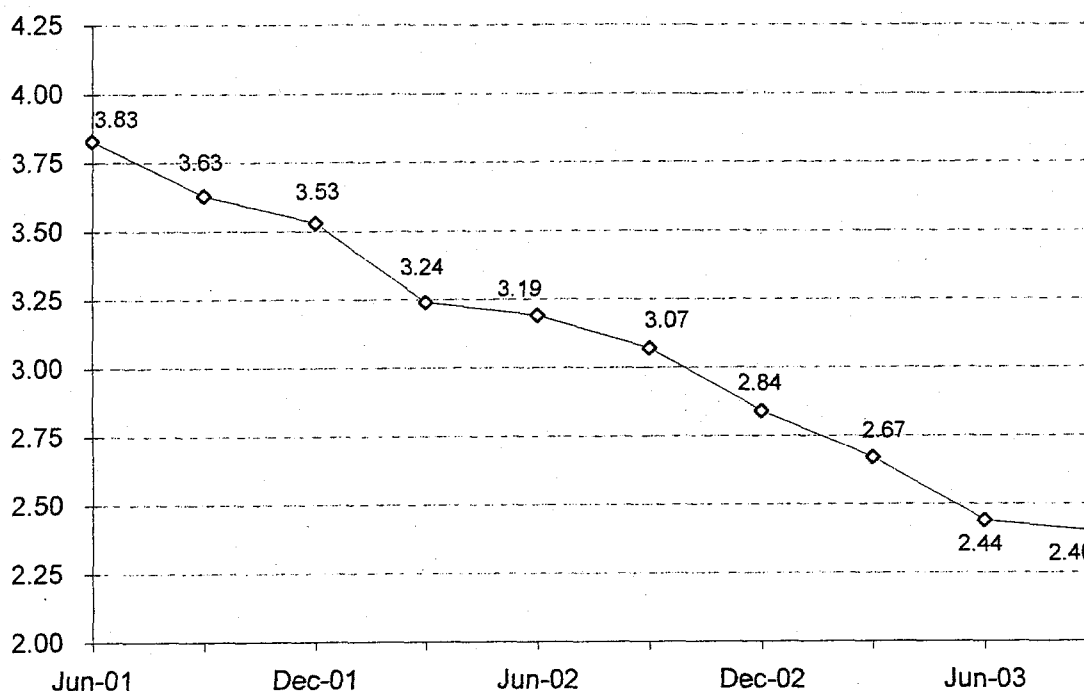
Before Tax	2.93	2.76	2.53	2.51	0
Before Tax excl. Non-Cash Inc. (d)	2.84	2.67	2.44	2.40	0
After Tax Incl. Preferred Div.	2.17	2.07	1.93	1.99	0
Return on Average Equity	9.2%	8.4%	7.5%	8.1%	0.0%
Adjusted Return on Average Equity (e)	7.9%	7.2%	6.3%	6.8%	0.0%
Adj. Return on Avg. Equity Excl E.T. & P.F.R. (e) (f)	7.9%	7.2%	6.2%	6.9%	0.0%
Return on Avg. Total Capital	7.6%	7.3%	6.8%	7.1%	0.0%

NOTES:

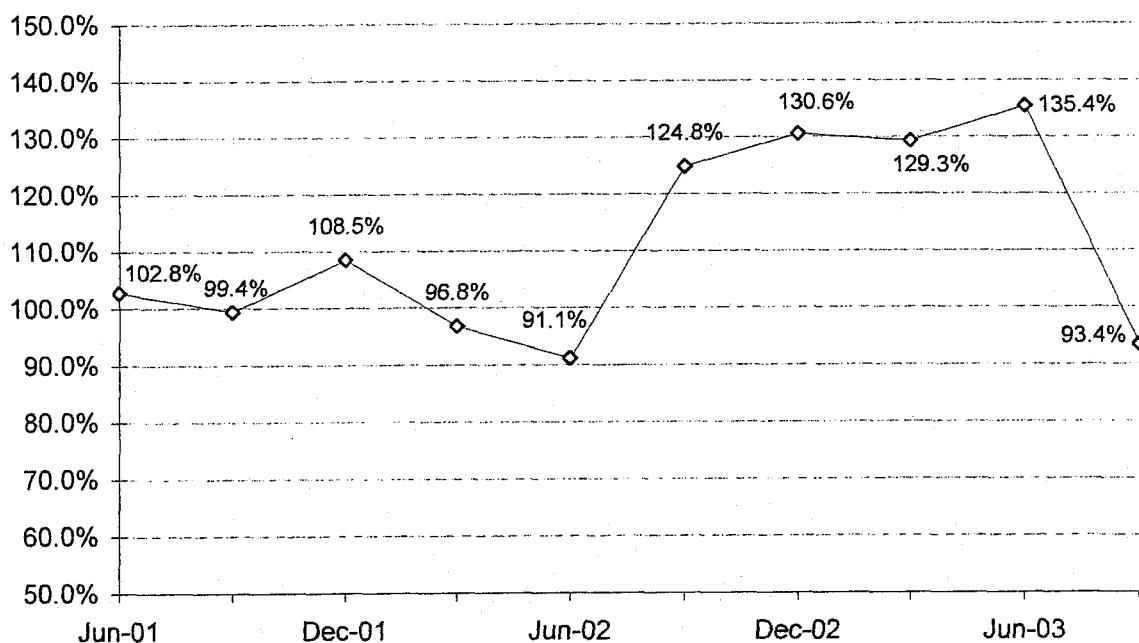
- (a) Includes premiums on reacquired debt and preferred stock
- (b) Adjusted Debt Ratio includes Palo Verde Unit #2 sale/leaseback
- (d) Non-cash Income is defined as Capitalized Interest and accelerated portion of ITC (beginning in 1/95).
- (e) Amortization of \$183 million present value stranded revenue disallowance is included in adjustment starting with 9/99 financial results.
- (f) Excludes Competitive Energy Trading and Purchases For Resale

ARIZONA PUBLIC SERVICE COMPANY

Fixed Charge Coverage Before Taxes Excluding Non-Cash Income *



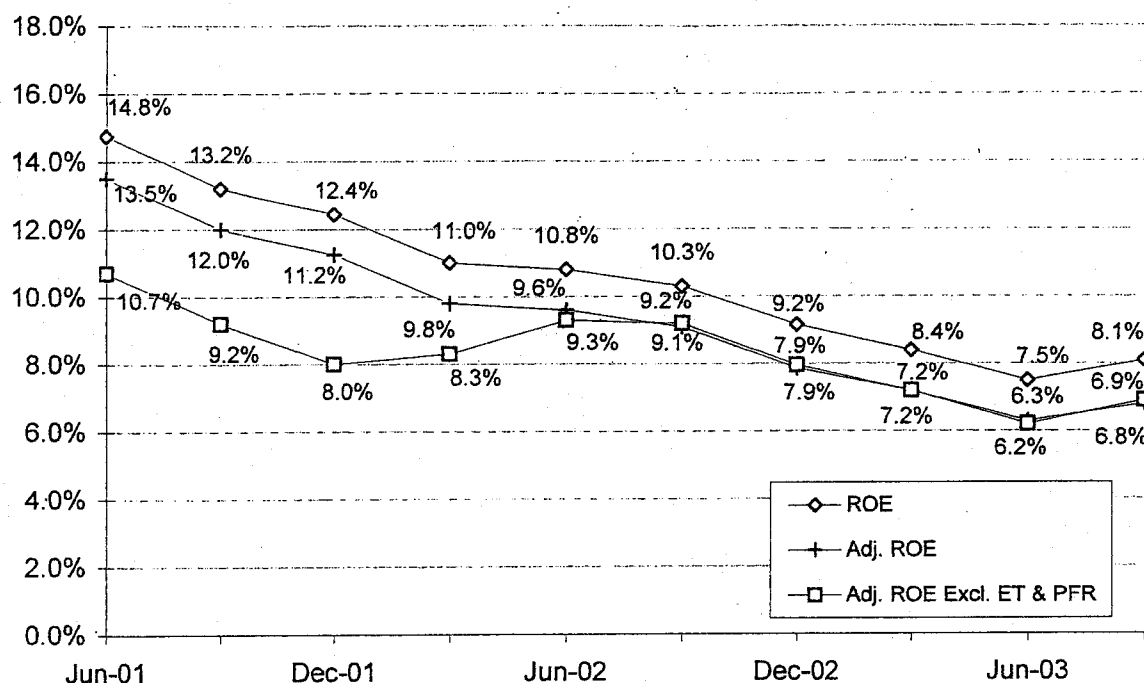
Net Cash Flow Excluding Non-Cash Income as a % of Capital Expenditures *



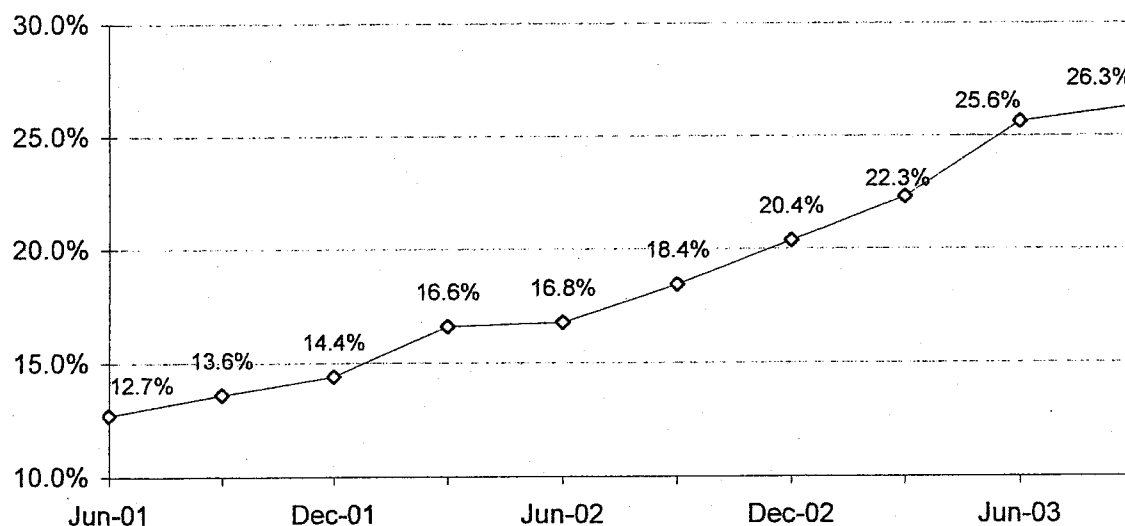
* See notes on Financial Results page for explanation of calculations.

ARIZONA PUBLIC SERVICE COMPANY

**Return on Average Common Equity,
Adjusted Return on Average Equity, and
Adjusted Return on Avg. Equity Excl. - Comp. Energy Trading & Purch. For Resale***



Non-Cash Income as a % of Earnings *



* See notes on Financial Results page for explanation of calculations.



Jana Van Ness
Manager
Regulatory Compliance

Tel 602/250-2310
Fax 602/250-3003
E-Mail: Jana.VanNess@aps.com
<http://www.apsc.com>

Mail Station 9908
P.O. Box 53999
Phoenix, AZ 85072-3999

August 29, 2003

Mr. Ernest Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

RE: APS FINANCIAL REPORT
SECOND QUARTER ENDING JUNE 30, 2003

Dear Mr. Johnson:

Attached are the Second Quarter Financial Results and associated graphs for Arizona Public Service Company for the quarter ending June 30, 2003.

If you have any questions regarding this filing, please contact me at (602)250-2310.

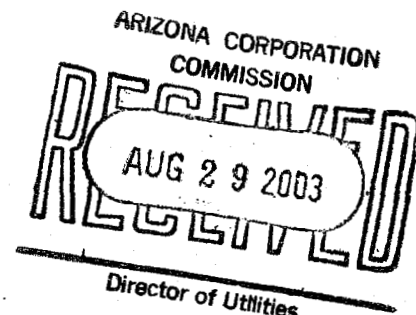
Sincerely,

Jana Van Ness
Manager
Regulatory Compliance

JVN/srm

Attachment

Cc: John Thornton
Chief of Accounting & Rates



ARIZONA PUBLIC SERVICE COMPANY

2003 ACTUAL FINANCIAL RESULTS
(DOLLARS IN MILLIONS)

	2002	2003
	Yr End	Yr End
Short-Term Debt	\$0.0	\$0.0
Cash & Cash Equivalents	42.5	0.0
FINANCING:		
Long-Term Debt	465.0	0.0
Preferred Stock	0.0	0.0
Subtotal	465.0	0.0
Change in S-T Debt	(171.2)	0.0
Total	\$293.8	\$0.0

Repayments and Recquisitions (a)	\$337.1	\$33.7	\$0.0	\$0.0	\$0.0
----------------------------------	---------	--------	-------	-------	-------

CAPITALIZATION RATIOS:

Long-Term Debt (Including Current Maturities)	50.7%	55.5%	0.0%	0.0%	0.0%
Short-Term Debt	0.0%	0.0%	0.0%	0.0%	0.0%
Total Debt	50.7%	55.5%	0.0%	0.0%	0.0%
Preferred Stock	0.0%	0.0%	0.0%	0.0%	0.0%
Common Equity	49.3%	44.5%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	0.0%	0.0%	0.0%

Adjusted Debt Ratio (b)	54.9%	58.8%	0.0%	0.0%	0.0%
Non-Cash Income % Earnings (d) (e)	20.4%	25.6%	0.0%	0.0%	0.0%
Net Cash Flow excl. Non-Cash Inc.	130.6%	135.4%	0.0%	0.0%	0.0%
% of Capital Expenditures (d)					

TIMES EARNED COVERAGES:

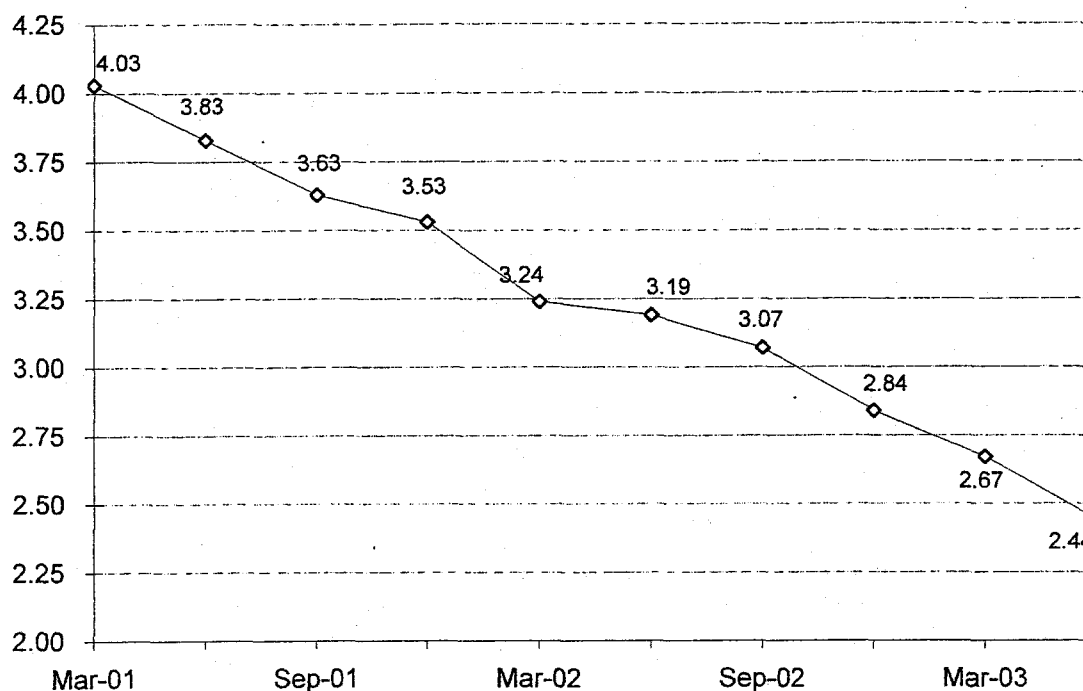
Before Tax	2.93	2.76	2.53	0.00	0.00
Before Tax excl. Non-Cash Inc. (d)	2.84	2.67	2.44	0.00	0.00
After Tax Incl. Preferred Div.	2.17	2.07	1.93	0.00	0.00
Return on Average Equity	9.2%	8.4%	7.5%	0.0%	0.0%
Adjusted Return on Average Equity (e)	7.9%	7.2%	6.3%	0.0%	0.0%
Adj. Return on Avg. Equity Excl E.T. & P.F.R. (e) (f)	7.9%	7.2%	6.2%	0.0%	0.0%
Return on Avg. Total Capital	7.6%	7.3%	6.8%	0.0%	0.0%

NOTES:

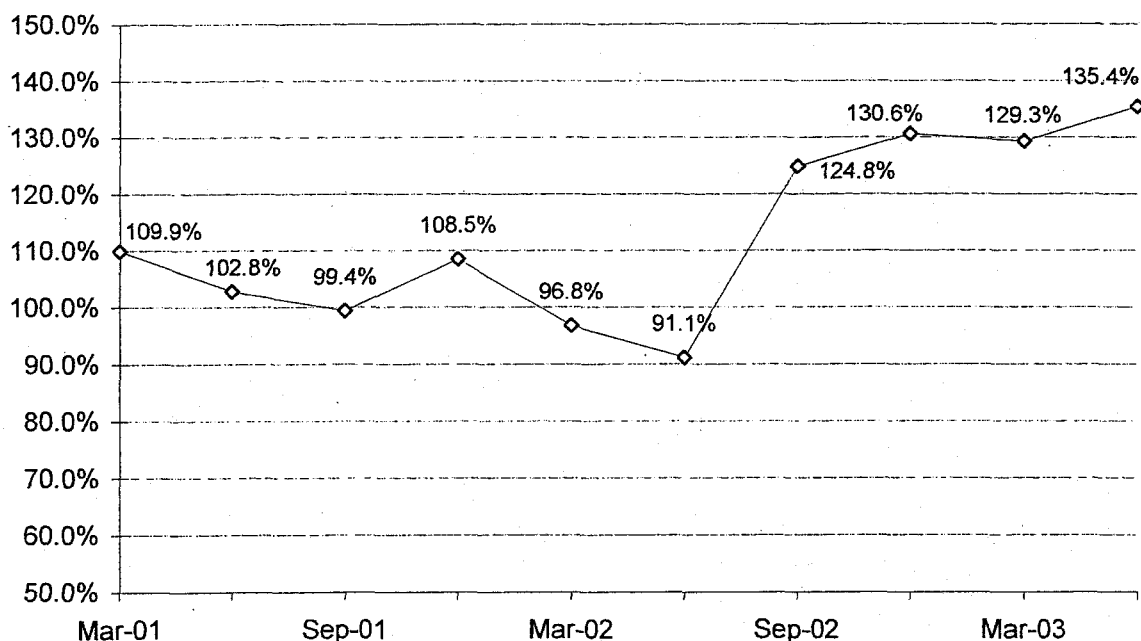
- (a) Includes premiums on reacquired debt and preferred stock
- (b) Adjusted Debt Ratio includes Palo Verde Unit #2 sale/leaseback
- (d) Non-cash income is defined as Capitalized Interest and accelerated portion of ITC (beginning in 1/95).
- (e) Amortization of \$183 million present value stranded revenue disallowance is included in adjustment starting with 9/99 financial results.
- (f) Excludes Competitive Energy Trading and Purchases For Resale (revenues, energy costs, and operating expenses after income taxes).

ARIZONA PUBLIC SERVICE COMPANY

Fixed Charge Coverage Before Taxes Excluding Non-Cash Income *



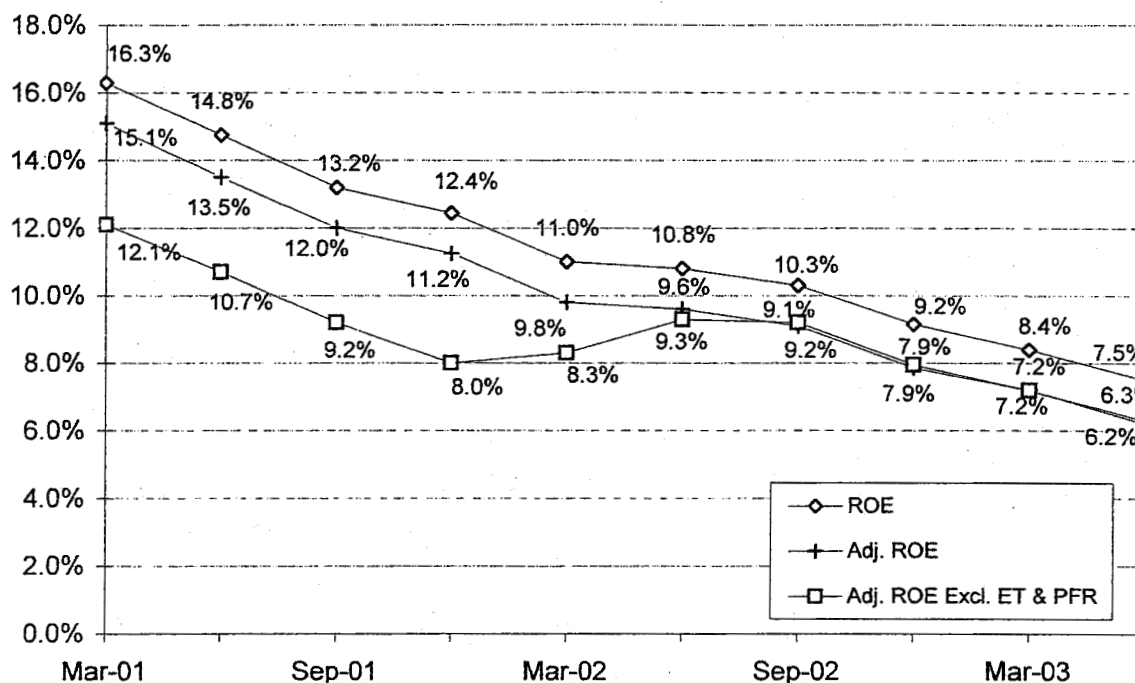
Net Cash Flow Excluding Non-Cash Income as a % of Capital Expenditures *



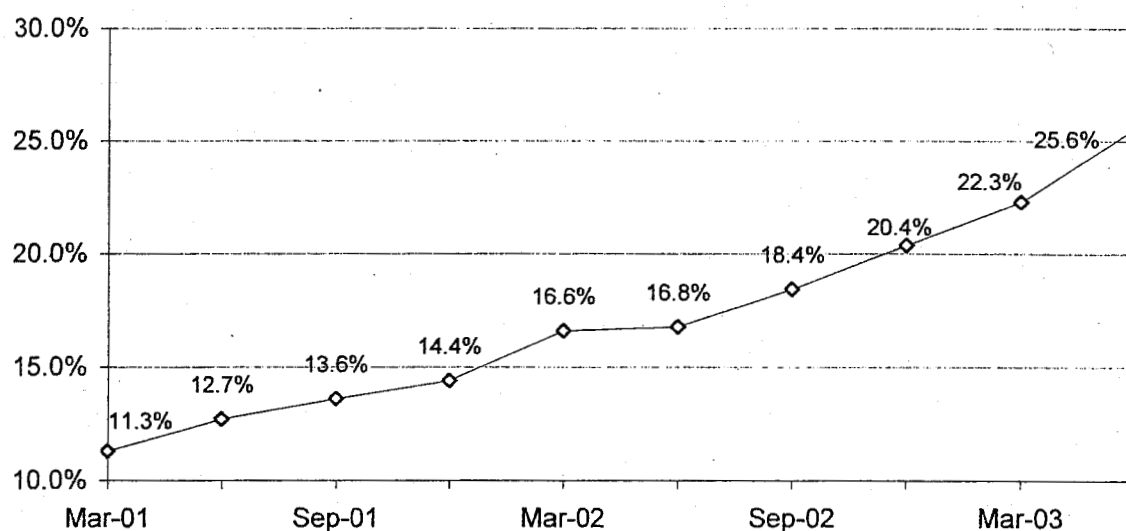
* See notes on Financial Results page for explanation of calculations.

ARIZONA PUBLIC SERVICE COMPANY

Return on Average Common Equity,
Adjusted Return on Average Equity, and
Adjusted Return on Avg. Equity Excl. - Comp. Energy Trading & Purch. For Resale*



Non-Cash Income
as a % of Earnings *



* See notes on Financial Results page for explanation of calculations.



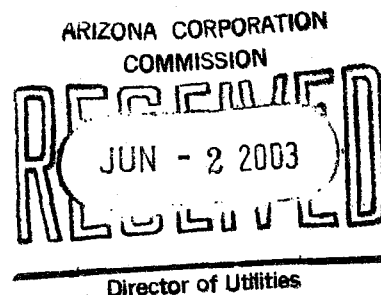
Jana Van Ness
Manager
Regulatory Compliance

Tel 602/250-2310
Fax 602/250-3003
e-mail: jvanness@apsc.com
<http://www.apsc.com>

Mail Station 9908
P.O. Box 53999
Phoenix, AZ 85072-3999

June 2, 2003

Mr. Ernest Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007



RE: APS FINANCIAL REPORT
FIRST QUARTER ENDING March 31, 2003

Dear Mr. Johnson:

Attached please find an update to the report for the First Quarter Financial Results for Arizona Public Service Company which was filed on Friday, May 30, 2003. The graphs that were filed were not complete, thus, a complete set of graphs is attached.

If you have any questions regarding this filing, please contact me at (602)250-2310.

Sincerely,

Jana Van Ness
Manager
Regulatory Compliance

JVN/vld

Attachment

Cc: John Thornton
Chief of Accounting & Rates

ARIZONA PUBLIC SERVICE COMPANY

2003 ACTUAL FINANCIAL RESULTS
(DOLLARS IN MILLIONS)

	2002	2003
	Yr End	Yr End
Short-Term Debt	\$0.0	\$0.0
Cash & Cash Equivalents	42.5	0.0
FINANCING:		
Long-Term Debt	465.0	0.0
Preferred Stock	0.0	0.0
Subtotal	465.0	0.0
Change in S-T Debt	(171.2)	0.0
Total	\$293.8	\$0.0
Repayments and Reacquisitions (a)	\$337.1	\$0.0

CAPITALIZATION RATIOS:

Long-Term Debt (Including Current Maturities)	50.7%	0.0%	0.0%	0.0%
Short-Term Debt	0.0%	0.0%	0.0%	0.0%
Total Debt	50.7%	0.0%	0.0%	0.0%
Preferred Stock	0.0%	0.0%	0.0%	0.0%
Common Equity	49.3%	0.0%	0.0%	0.0%
Total	100.0%	0.0%	0.0%	0.0%
Adjusted Debt Ratio (b)	54.9%	0.0%	0.0%	0.0%
Non-Cash Income % Earnings (d) (e)	20.4%	0.0%	0.0%	0.0%
Net Cash Flow excl. Non-Cash Inc.	130.6%	129.3%	0.0%	0.0%
% of Capital Expenditures (d)				

TIMES EARNED COVERAGES:

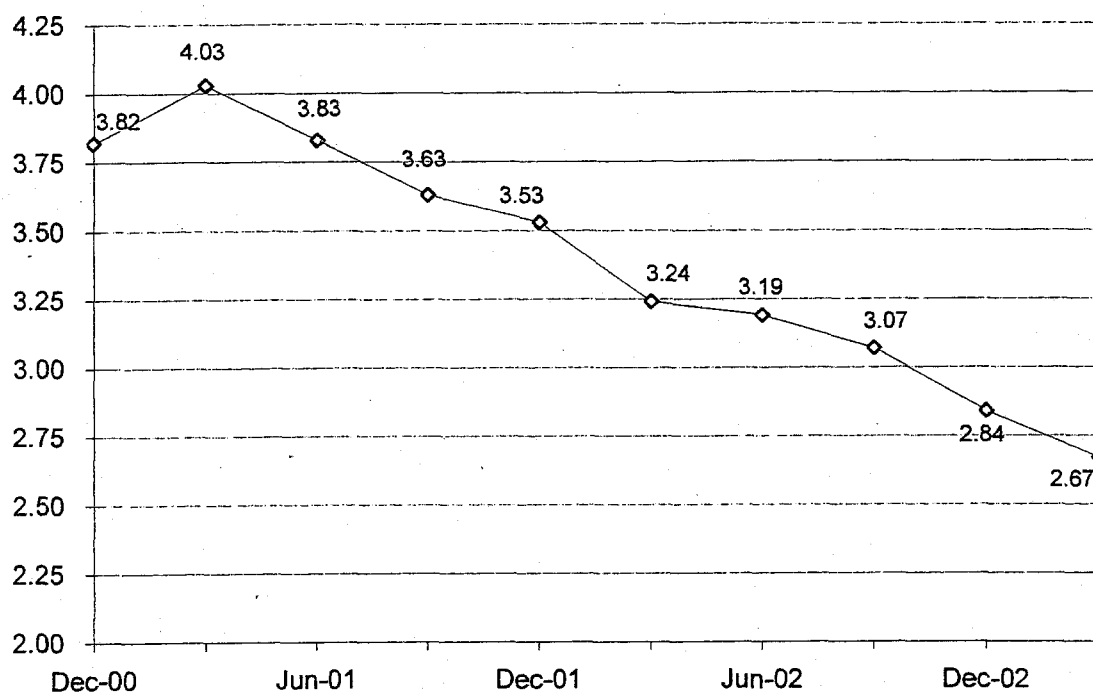
Before Tax	2.93	2.76	0.00	0.00
Before Tax excl. Non-Cash Inc. (d)	2.84	2.67	0.00	0.00
After Tax Incl. Preferred Div.	2.17	2.07	0.00	0.00
Return on Average Equity	9.2%	8.4%	0.0%	0.0%
Adjusted Return on Average Equity (e)	7.9%	7.2%	0.0%	0.0%
Adj. Return on Avg. Equity Excl E.T. & P.F.R. (e) (f)	7.9%	7.2%	0.0%	0.0%
Return on Avg. Total Capital	7.6%	7.3%	0.0%	0.0%

NOTES:

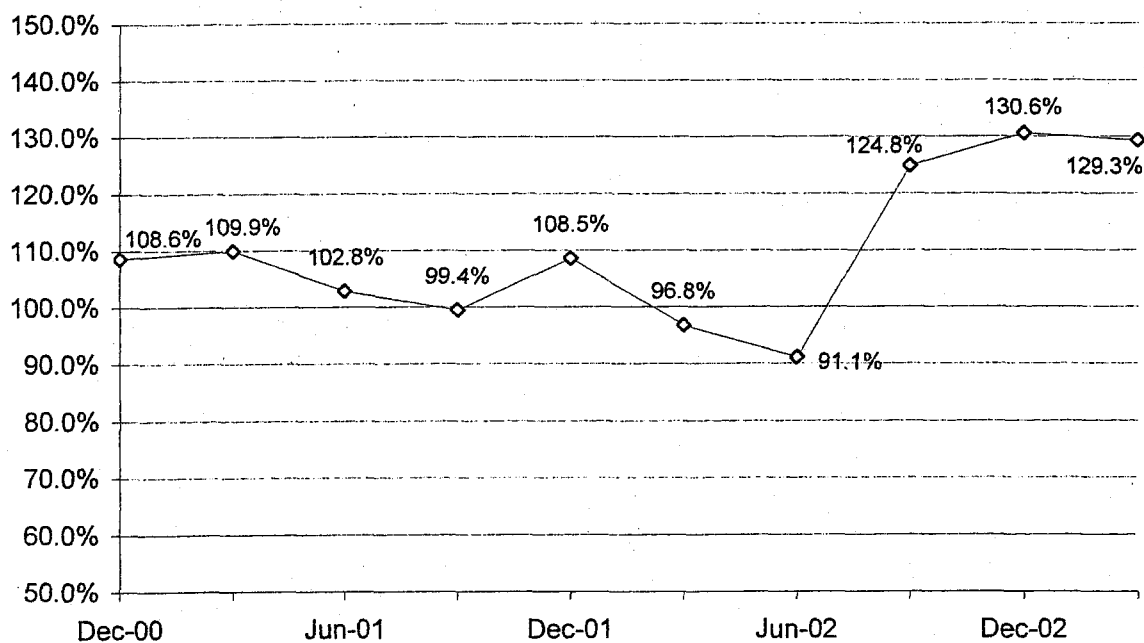
- (a) Includes premiums on reacquired debt and preferred stock
- (b) Adjusted Debt Ratio includes Palo Verde Unit #2 sale/leaseback
- (c) Non-cash Income is defined as Capitalized Interest and accelerated portion of ITC (beginning in 1/95).
- (d) Amortization of \$183 million present value stranded revenue disallowance is included in adjustment starting with 9/99 financial results.
- (e) Excludes Competitive Energy Trading and Purchases For Resale (revenues, energy costs, and operating expenses after income taxes).

ARIZONA PUBLIC SERVICE COMPANY

Fixed Charge Coverage Before Taxes Excluding Non-Cash Income *



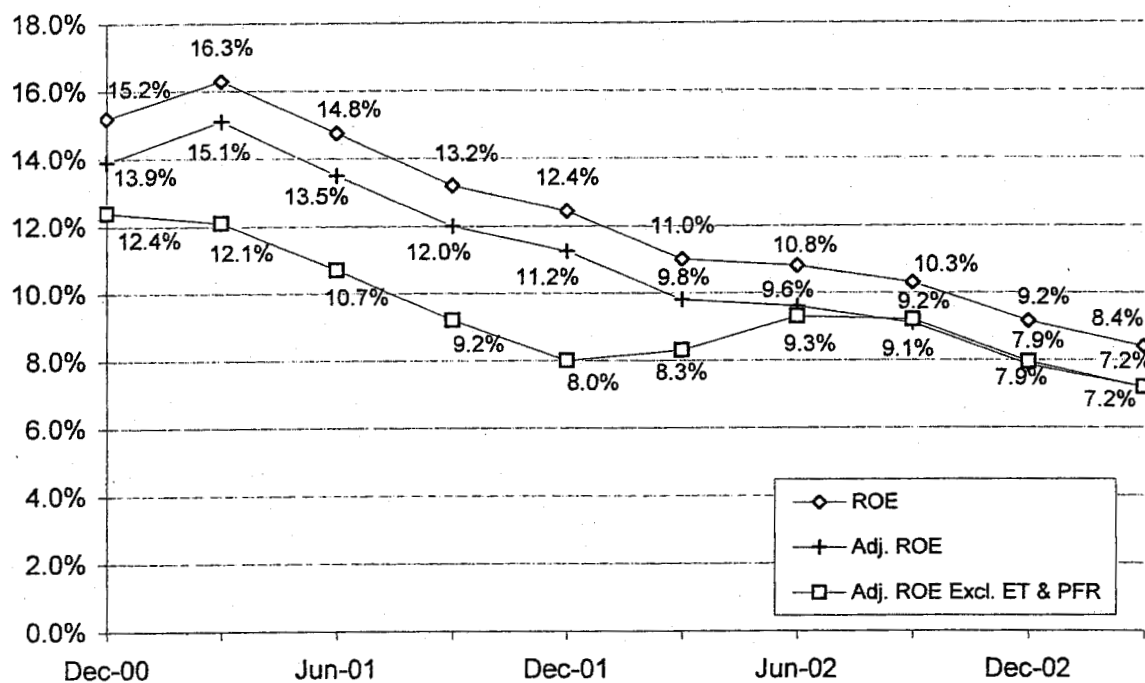
Net Cash Flow Excluding Non-Cash Income as a % of Capital Expenditures *



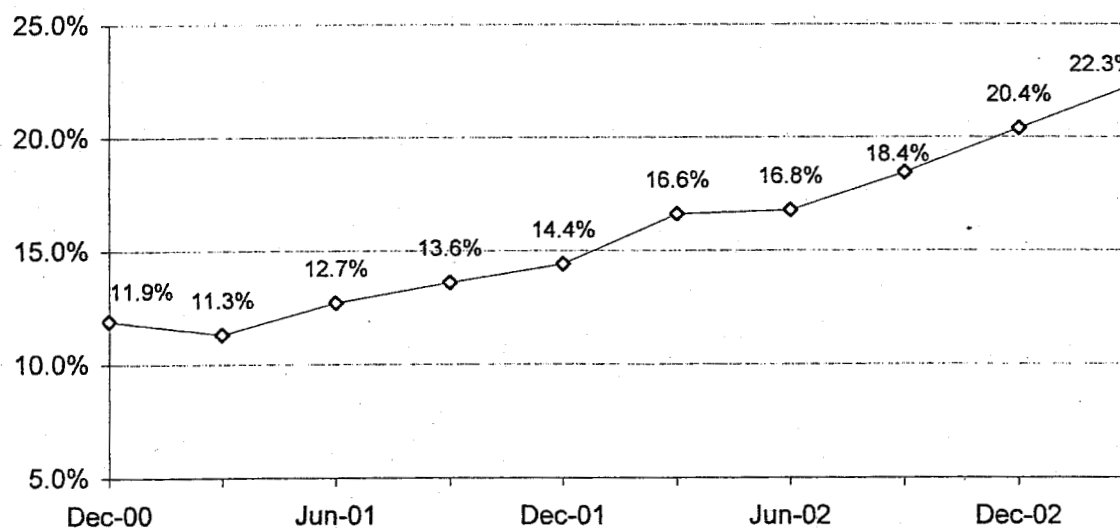
* See notes on Financial Results page for explanation of calculations.

ARIZONA PUBLIC SERVICE COMPANY

Return on Average Common Equity,
Adjusted Return on Average Equity, and
Adjusted Return on Avg. Equity Excl. - Comp. Energy Trading & Purch. For Resale*



Non-Cash Income as a % of Earnings *



* See notes on Financial Results page for explanation of calculations.



Jana Van Ness
Manager
Regulatory Compliance

Tel 602/250-2310
Fax 602/250-3003
e-mail: jvanness@apsc.com
<http://www.apsc.com>

Mail Station 9908
P.O. Box 53999
Phoenix, AZ 85072-3999

May 30, 2003

Mr. Ernest Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

RE: APS FINANCIAL REPORT
FIRST QUARTER ENDING March 31, 2003

Dear Mr. Johnson:

Attached is the First Quarter Financial Results and associated graphs for Arizona Public Service Company for the quarter ending March 31, 2003.

If you have any questions regarding this filing, please contact me at (602)250-2310.

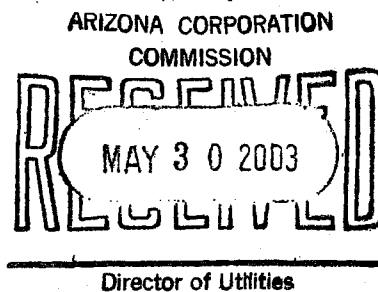
Sincerely,

Jana Van Ness
Manager
Regulatory Compliance

JVN/vld

Attachment

Cc: John Thornton
Chief of Accounting & Rates



ARIZONA PUBLIC SERVICE COMPANY

2003 ACTUAL FINANCIAL RESULTS

(DOLLARS IN MILLIONS)

	2002				2003	
	Yr End	Q1	Q2	Q3	Q4	Yr End
Short-Term Debt	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cash & Cash Equivalents	42.5	31.8	0.0	0.0	0.0	0.0
FINANCING:						
Long-Term Debt	465.0	0.0	0.0	0.0	0.0	0.0
Preferred Stock	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal	465.0	0.0	0.0	0.0	0.0	0.0
Change in S-T Debt	(171.2)	0.0	0.0	0.0	0.0	0.0
Total	\$293.8	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

Repayments and Reacquisitions (a)

	\$337.1	\$0.7	\$0.0	\$0.0	\$0.0	\$0.0
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CAPITALIZATION RATIOS:

Long-Term Debt (Including Current Maturities)	50.7%	50.9%	0.0%	0.0%	0.0%	0.0%
Short-Term Debt	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Debt	50.7%	50.9%	0.0%	0.0%	0.0%	0.0%
Preferred Stock	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Common Equity	49.3%	49.1%	0.0%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%

Adjusted Debt Ratio (b)

	54.9%	55.1%	0.0%	0.0%	0.0%	0.0%
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Non-Cash Income % Earnings (d) (e)

	20.4%	22.3%	0.0%	0.0%	0.0%	0.0%
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Net Cash Flow excl. Non-Cash Inc.

	130.6%	129.3%	0.0%	0.0%	0.0%	0.0%
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% of Capital Expenditures (d)

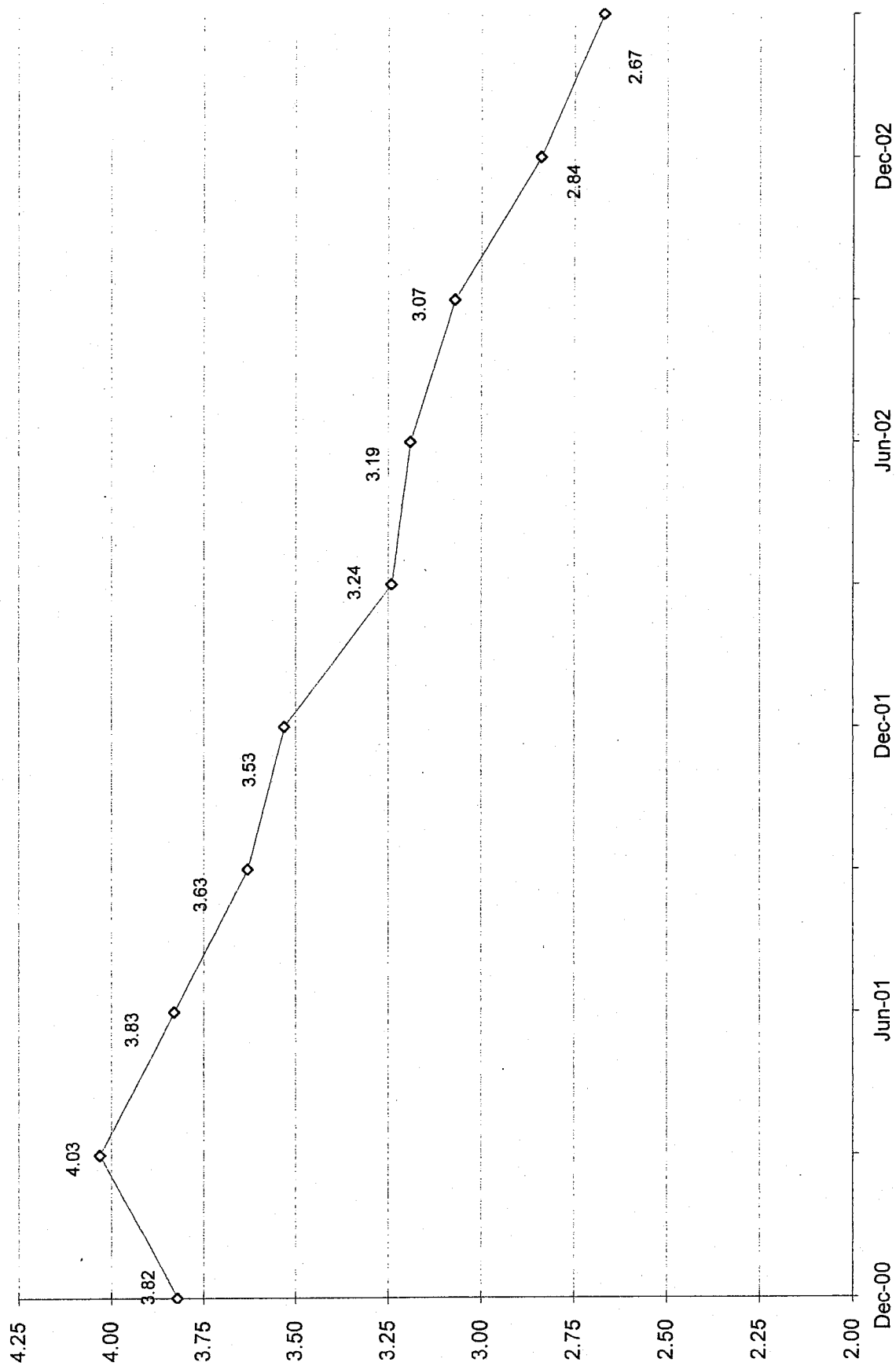
TIMES EARNED COVERAGES:

Before Tax	2.93	2.76	0.00	0.00	0.00	0
Before Tax excl. Non-Cash Inc. (d)	2.84	2.67	0.00	0.00	0.00	0
After Tax Incl. Preferred Div.	2.17	2.07	0.00	0.00	0.00	0
Return on Average Equity	9.2%	8.4%	0.0%	0.0%	0.0%	0.0%
Adjusted Return on Average Equity (e)	7.9%	7.2%	0.0%	0.0%	0.0%	0.0%
Adj. Return on Avg. Equity Excl E.T. & P.F.R. (e) (f)	7.9%	7.2%	0.0%	0.0%	0.0%	0.0%
Return on Avg. Total Capital	7.6%	7.3%	0.0%	0.0%	0.0%	0.0%

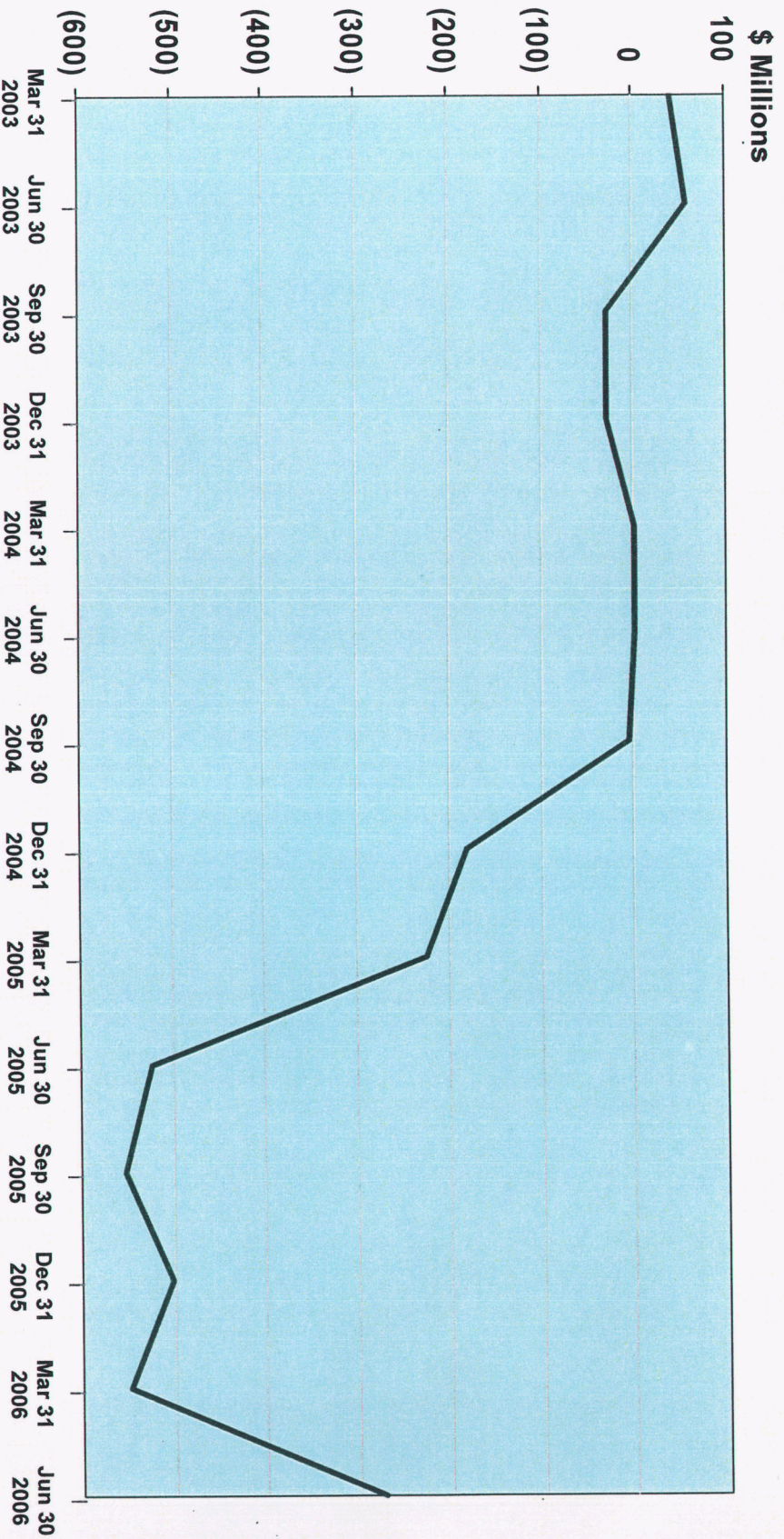
NOTES:

- (a) Includes premiums on reacquired debt and preferred stock
- (b) Adjusted Debt Ratio includes Palo Verde Unit #2 sale/leaseback
- (d) Non-cash income is defined as Capitalized Interest and accelerated portion of ITC (beginning in 1/95).
- (e) Amortization of \$183 million present value stranded revenue disallowance is included in adjustment starting with 9/99 financial results.
- (f) Excludes Competitive Energy Trading and Purchases For Resale (revenues, energy costs, and operating expenses after income taxes).

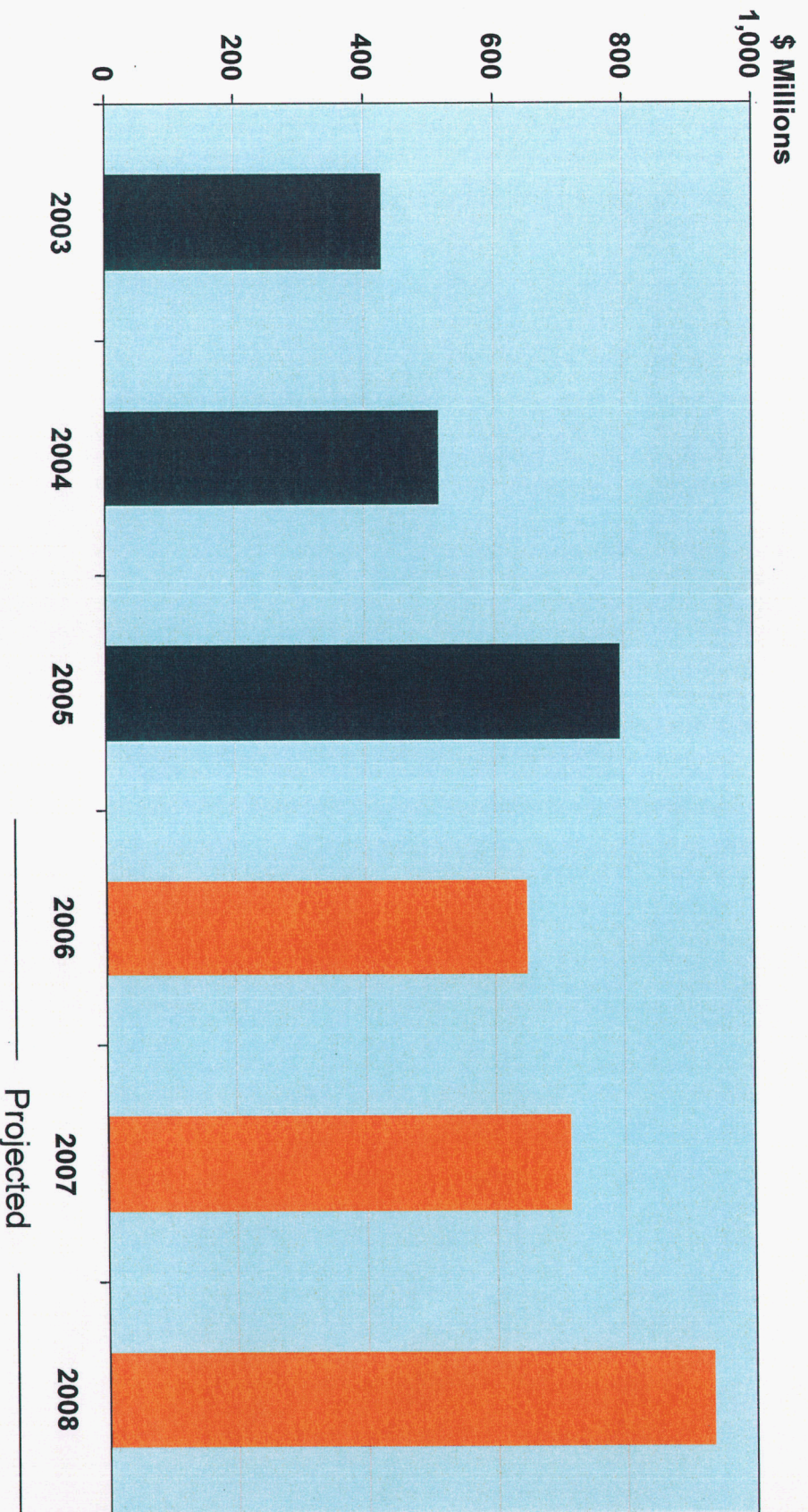
Graphs Chart 4



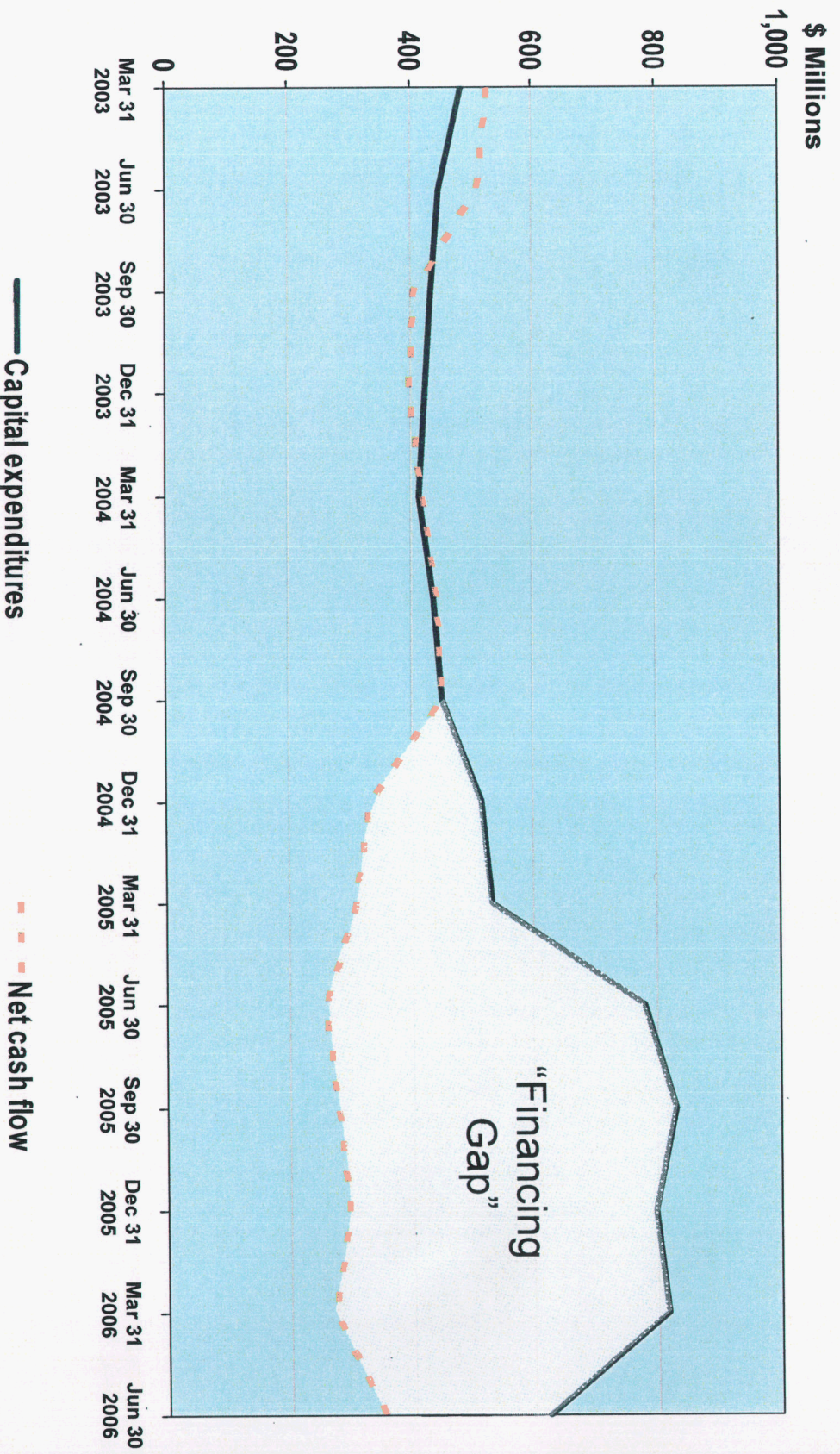
Arizona Public Service Company Net Cash Flow after Capital Expenditures Twelve-Month Periods Ended March 31, 2003 to June 30, 2006



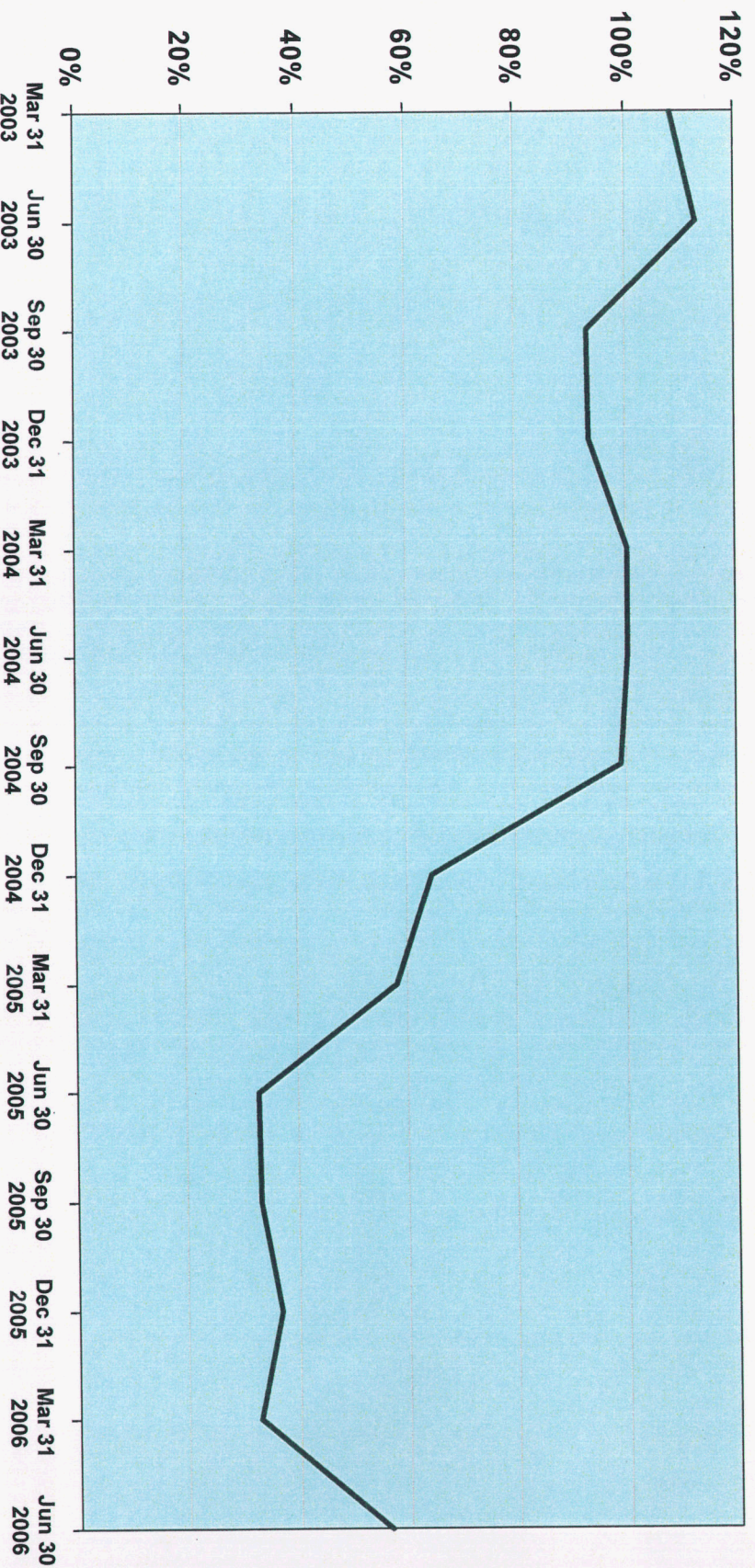
Arizona Public Service Company
Capital Expenditures
2003 - 2008



Arizona Public Service Company Capital Expenditures vs. Net Cash Flow Twelve-Month Periods Ended March 31, 2003 to June 30, 2006



Arizona Public Service Company
Net Cash Flow as Percent of Capital Expenditures
Twelve-Month Periods Ended March 31, 2003 to June 30, 2006



Arizona Public Service Company
Cumulative External Financing Needs Under Current Base Rate Levels
2006 - 2008

